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### ROYAL COMMISSION

ON

### TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

SEP 16 1960

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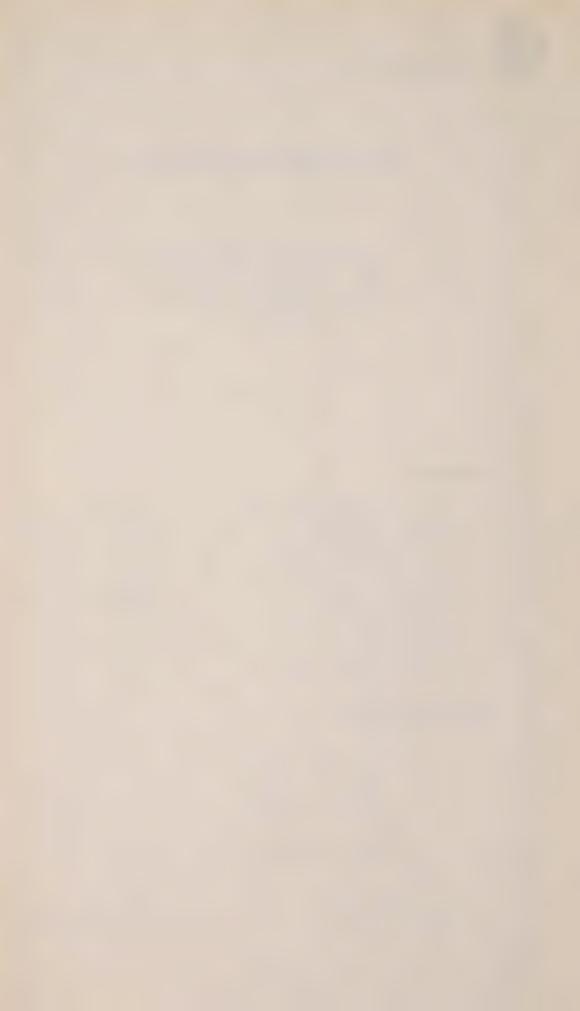


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Ottawa, Ontario, Friday, September 16, 1960.

--- On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please.

MR. SINCLAIR: Mr. Chairman, before I resume my examination of Mr. Matheson, there is one matter that I feel is of such importance that I would wish to bring it to the attention of the Commission.

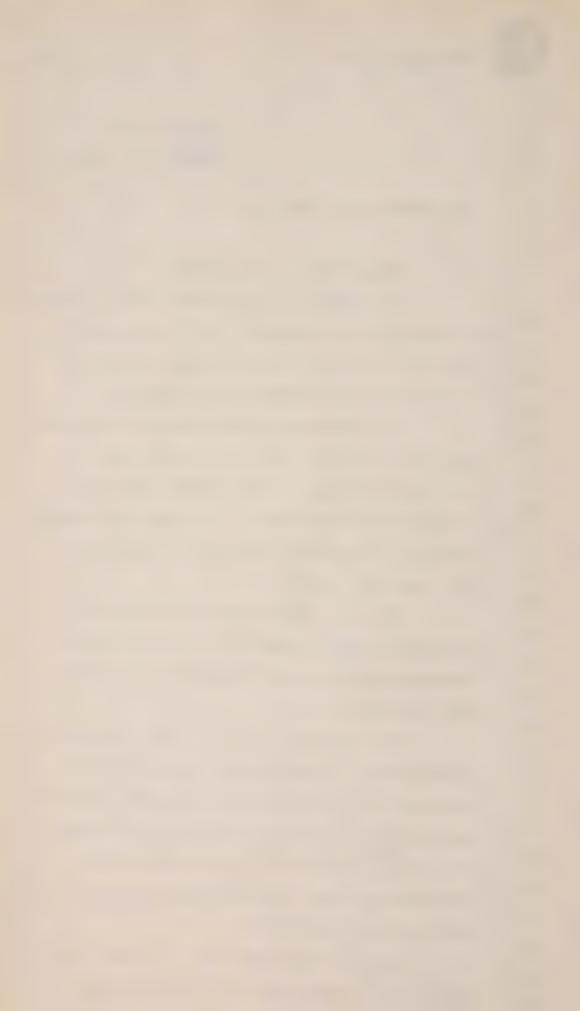
The Commission, as you know, was established away over a year ago. It is now one year since it had its first meeting. The Commission adjourned for three months this summer. Pursuant to government directive, the railways' revenues are frozen until this Commission reports.

This is a very serious matter, and while we recognize that time is required to look at problems, notwithstanding that we also think that that should only be a reasonable time.

The Commission will recall that on behalf of Canadian Pacific I suggested that what we term the only significant inequity in the freight rate structure: namely, the statutory rates on grain to export positions, should be dealt with in an interim report.

The Commission, after considering that, formally ruled that that would not be done.

That was many months ago. In June last, namely June 10th, the last day of sittings before the three months' adjournment of the Commission's hearings,



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directions and orders were issued and recorded in the transcript. These directions and orders of the Commission were directed to all parties. Specific dates were set for parties other than the railways. The Commission ordered their material be filed by August 15th; to the railways that their material be filed September 15th.

In regard to the grain study, last September -- a year ago -- the railways were directed to file certain material on certain specific dates. The railways complied with that, with the exception of one precis which I think was a few days late. And by that I mean a week, possibly, as a maximum.

In regard to the material that was dealt with by the Commission's orders in June last, the railways have met those dead lines. Their material has been made available by filing with the Commission and by copies being handed to my friends.

Now, in regard to the provinces, British Columbia, Saskatchewan were both in on time; and the maritimes were only a few days late, and we will say in on time because it was not such a time as to create any hardship on anyone.

So, therefore, we have of the provinces the maritimes, Saskatchewan and British Columbia adhering to the orders and directions of this Commission, along with the railways, and we find the grain handling organizations and the Province of Alberta and the Province of Manitoba refusing



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comply with the orders of this Commission.

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Now, this is a serious matter made more serious by the fact that prejudice of a substantial amount is being effected by this flouting of the Commission's orders by these provinces, because the railways' revenues, by government directive, have now been frozen for away over a year.

It is all very well, Mr. Chairman, for somebody to say, "Well, I am doing what I can. am not going to be stampeded." This Commission, under the Order in Council, was given a job to do pursuant to the laws of this country and pursuant to their duties they make orders which people must obey. It is my suggestion that people who do not obey should suffer the consequences of their flouting of the orders lawfully made.

MR. McDONALD: Mr. Chairman and Commissioners. I wish to support Mr. Sinclair in what he has said. The railways are in this dilemma: the revenues are frozen. We have had a report from a Conciliation Board, and any delay just makes it impossible for the railway to tell where they are going. I think this Commission should take a strong stand.

THE CHAIRMAN: What do you suggest?

MR. McDONALD: Well, if submissions are not in on time, why just tell them, "We will go on without them; the date is past."

THE CHAIRMAN: I think the railways and provinces named are to be congratulated on keeping faith



MR. SINCLAIR: I include everything. I do not want my friend to misunderstand what I have to say

with the Commission. Mr. Frawley?

MR. FRAWLEY: I have heard my friends' harangue. I will take the instructions of the Premier of Alberta. I do not know what he will ask me to do.

All I say is I have six submissions to submit; I would very earnestly like to submit six submissions to the Commission, on matters of great importance to the Province of Alberta in matters of the freight rate structure.

I have three, and three to come. I do not expect any great delay, but if there is to be any ultimatum issued I will take the instructions of Premier Manning by telephone immediately.

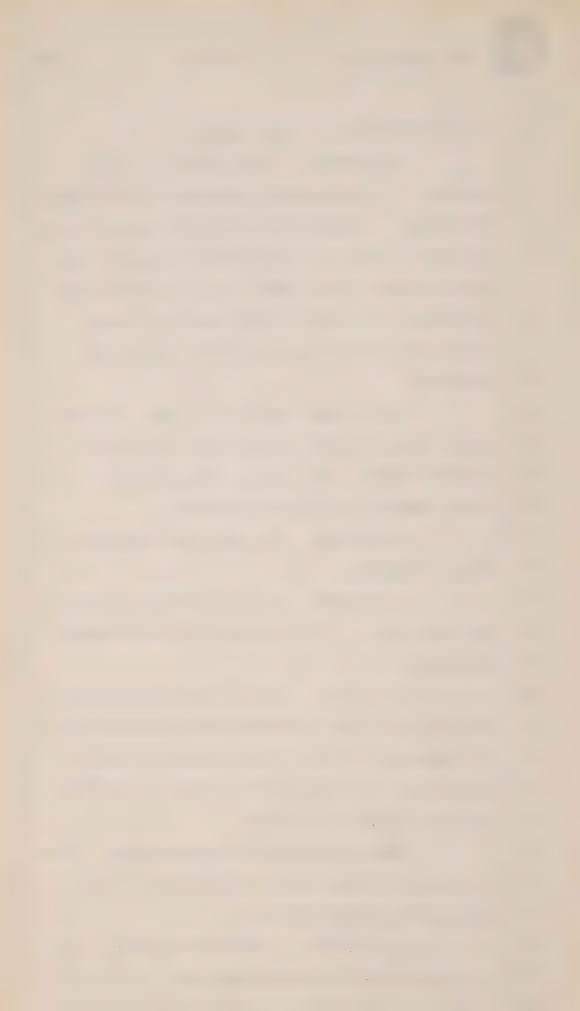
THE CHAIRMAN: The only other delinquent, I think, is Manitoba.

MR. SINCLAIR: Well, Mr. Chairman, I do not know about that. I think there is more delinquency than that.

MR. FRAWLEY: When I say six submissions, I am talking about the submissions which do not relate to the grain study at all. I am referring to the six submissions, one of which will be joint with Manitola, and five individual to Alberta.

I am not referring to the grain study. That is a matter of very separate consideration. I have nothing to say about that at all.

at all. I included in my remarks all matters of issi-



before this Commission.

it is a little difficult for people to cross-examine on a submission without sufficient time for preparation.

Now, I think everyone knows that. I wonder, if your submissions in full cannot be ready within the next few days, would it be possible to have the Commission and the parties furnished with an outline of the brief's points, if you wish?

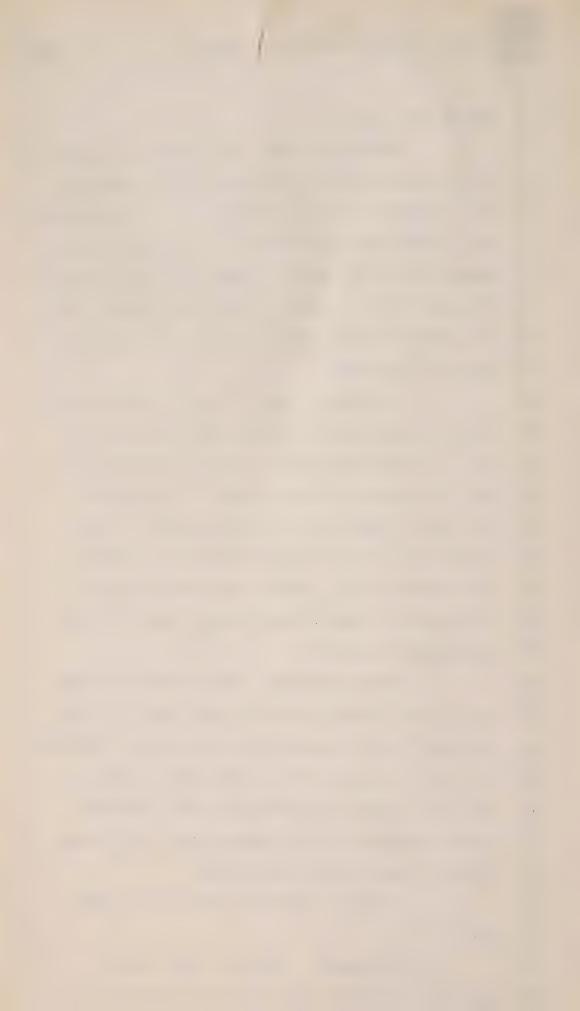
MR. FRAWLEY: Well, I would certainly give serious consideration to that, if that can be worked out. I have some drafts -- I don't know that I even have final drafts of some of them. I may not have much here to enable me to give any outline of them, unless I ask the consultant to send me an outline.

As a matter of fact, they are very busy finishing them up and revising them and getting them off to the mimeographers right now.

Just a short outline giving the main trend of the submissions. Any recommendations that might be contained therein, I suppose, should be now ready. They do not need to follow the wording that will finally be in the submission, but the general gist of the thing would be ready by now, I would think.

I think it would help the parties, don't you?

MR. FRAWLEY: Well, if I have enough material to do that, and in consultation with the



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consultants, because I wouldn't want to make an outline of their briefs on my own. If something of that sort can be done to avoid any delay, I will do that.

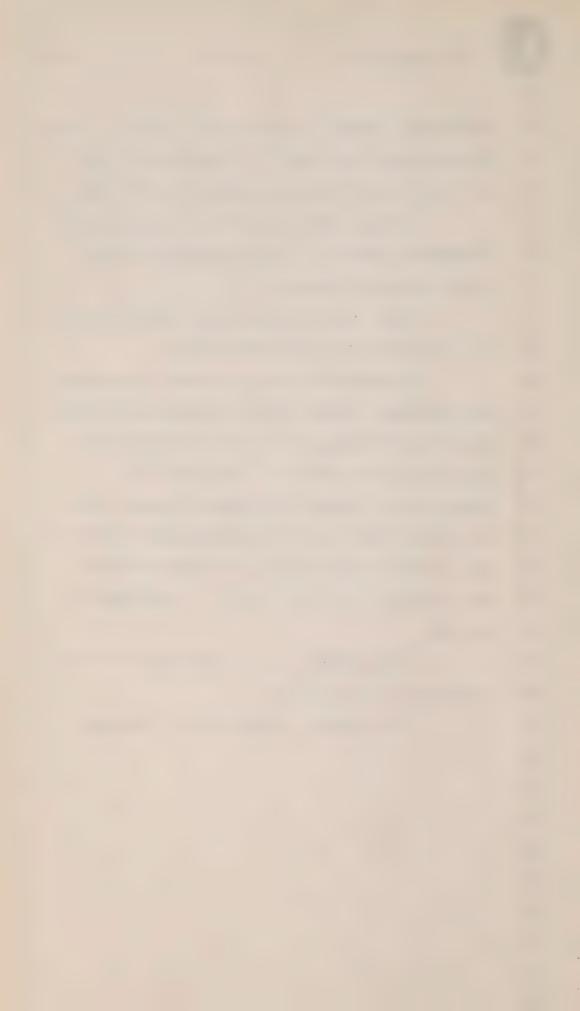
But my friend said he was including in his accusations against me, he was including the grain study; our counter analysis.

Well, now, my remarks when I spoke about my six briefs did not include that at all.

As everybody knows, Mr. Banks is in Washington preparing a witness' report who has gone overseas now: a counter analysis of our own to challenge the study filed by Mr. Stenason. That work is -- I regard it in a separate compartment altogether from the matters I have just been speaking about, and if you ask me when Mr. Banks' brief, the counter analysis, will be filed, I just don't know. I would have to ask him.

THE CHAIRMAN: Well, there will be no delay. We will go on, Mr. Sinclair.

MR. SINCLAIR: Thank you, Mr. Chairman.





## ANGUS. STONEHOUSE & CO. LTD. Matheson, Ellis, TORONTO. ONTARIO Hicks, Moloughney, cr-ex (Sinclair)

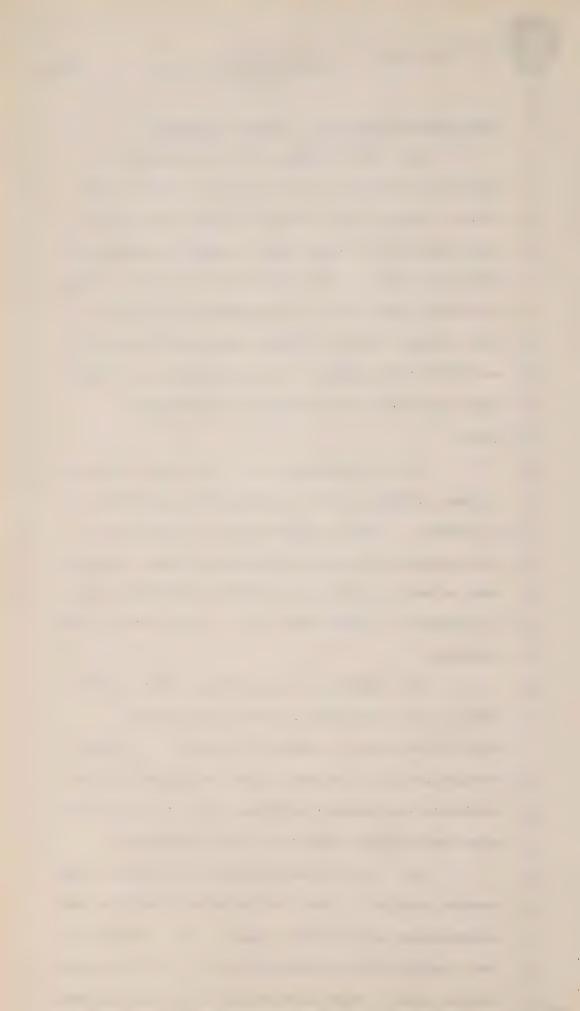
#### CROSS-EXAMINATION BY MR. SINCLAIR (resumed):

Q. Mr. Matheson, at the conclusion of yesterday's hearing, I was dealing with some of the material which you put before the Commission, and I was wondering if I could turn your mind to something other than steel. You have dealt with steel pretty thoroughly, and I think your position on the steel rates and how they will affect other steel producers and affect the railways is very well set out in the brief and in the questioning of my friends and myself.

Let me understand it. You were talking on, you said, steel, but also on principle, in answer to my friends. And you believed in, I take it, the application of the key point system to other commodities, as well as steel, in which the maritimes would be interested in particular, but not restricted to the maritimes?

MR. MATHESON: Mr. Sinclair, what I tried to convey to the Commission was this principle or selective principle as applied to steel. I should perhaps qualify it and say if the conditions and circumstances are somewhat identical, then this selected method might be applicable to other commodities.

Q. If the conditions and circumstances were somewhat similar. Now, Mr. Matheson, conditions and circumstances cover quite a range. For instance, in steel, at one time the steel industry of the maritimes operated under a wage differential as against the steel





# ANGUS STONEHOUSE & CO. LTD. Matheson, Ellis, TORONTO: ONTARIO Hicks, Moloughney, cr-ex (Sinclair)

producer of central Canada which is no longer in effect relatively?

MR. MATHESON: Relatively, right.

Q. It used to be very substantial, didn't it. Mr. Matheson?

MR. MATHESON: Oh, I couldn't tell you that,
Mr. Sinclair, because I haven't got the knowledge as
to how substantial it was.

If I remember correctly, Mr. Forsyth was asked about this back in the Royal Commission of 1949.

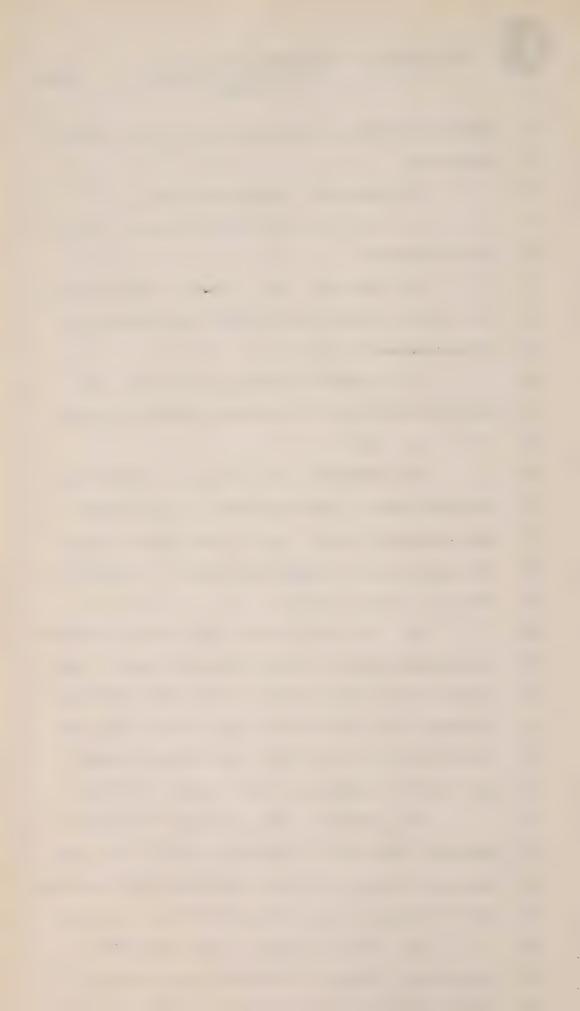
Q. Yes?

MR. MATHESON: And I think he referred to the equalization of the wage scale some time before that particular period. Now, to what extent it was lower, materially lower, than was Hamilton, I couldn't tell you. I don't know.

Q. But in so far as it was brought into what is sometimes known as national bargaining rates -- that is what you have pretty largely in the steel industry -- and having lost that advantage that includes your cost of production in the maritimes substantially because wage cost is a substantial cost in steel; is it not?

MR. MATHESON: Well, just like I mentioned yesterday, the number of employees in 1959 in the steel industry at Sydney, 4,000-odd, one would gather therefore that the labour is a high proportion in the end result.

Q. And this change -- your differential turned about -- Dosco on the basis of that change in their circumstances suggest a subsidy based on that?



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MR. MATHESON: I would not know, Mr.Sinclair
if there was any suggestion of that kind made. I do
know, to be frank with you, that there was a subsidy
at one time paid oh, around up to about 1950
on ingots going to central Canada in order to take
care of the scarcity that was existing in the steel
market at that particular time. But I do not know
whether that had anything to do I am sure it did
not with the wage scale or not.

Q. You would agree, would you not, Mr.

Matheson, that labour costs in the steel industry, just
as labour costs in the railway industry, is one of the
reasons that are making things difficult?

MR. MATHESON: That is my understanding.

The labour costs are increasing and creating a squeeze
in relation to the prices vis-a-vis the cost of production.

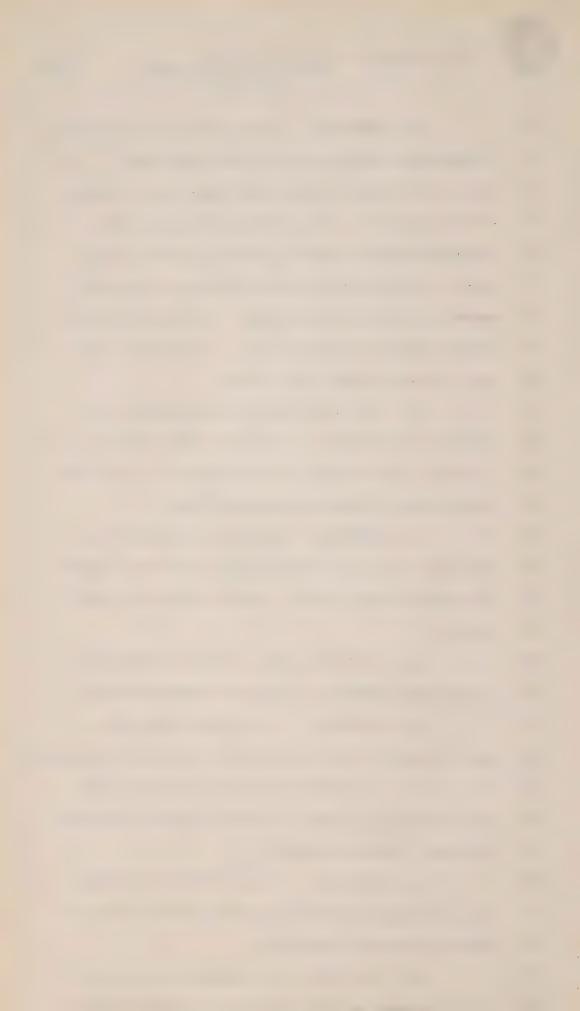
Q. And this works a particular hardship on the steel industry in regard to export markets?

MR. MATHESON: I would say that would have a bearing, without going into this thing thoroughly.

Q. And also particular severity on the steel industry in regard to meeting import co petition from. say. Europe or Japan?

MR. MATHESON: We are certainly meeting very keen import competition at the present time in Canada on certain commodities.

Q. And there is a substantial wage differential between the steel industry of Canada and the



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wages in Germany and England and Japan?

MR. MATHESON: That is my understanding, Mr. Sinclair.

commissioner mann: Have you any figures showing the labour content per dollar of expenses for Dosco?

MR. MATHESON: I do not know of any, unless there are some Since you raised the question, I will discuss it with Mr. Fairley, who will be here on Tuesday.

MR. SINCLAIR: Q. Now, Mr. Matheson, if this key point system was to be used, let us take for instance a commodity that the maritimes are interested in, and also another region of Canada is interested in, and that is fish: now, would you suggest that the key point rate on fish, for instance, from the maritimes to Montreal, would set the rate on fish as the key point?

MR. MATHESON: I couldn't say, Mr.Sinclair, whether Montreal would be the key point for fish or not. That would depend on a study of the particular commodity.

Q. But if they adopted the Maritime-Montreal rate as the key point rate, this would certainly be of assistance, for instance, to the Province of Manitoba, the Province of Saskatchewan; the Province of Ontario would be benefited, I suppose, but the one who would really benefit would be the Province of British Columbia?





## Moloughney, cr-ex (Sinclair)

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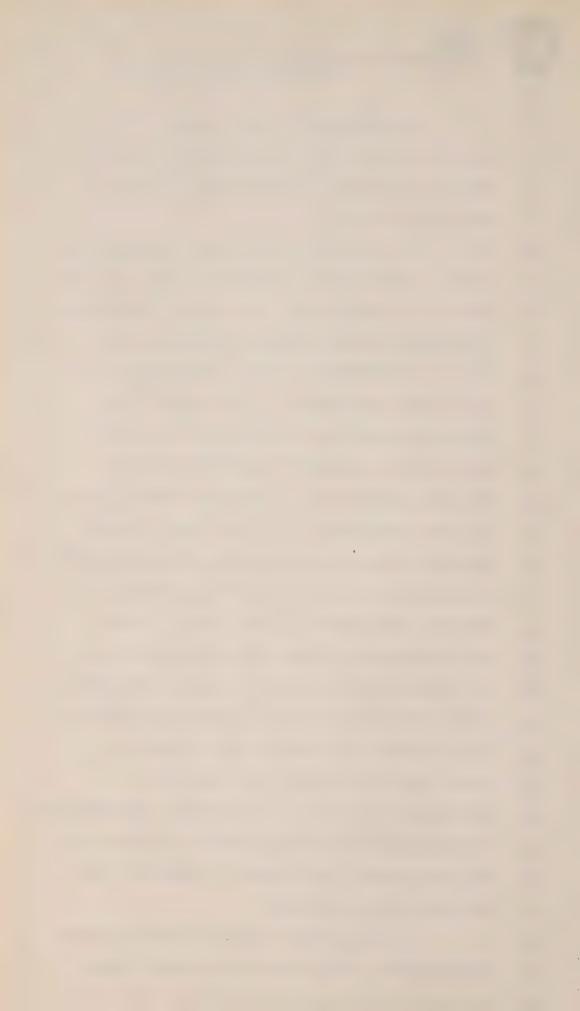
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MR. MATHESON: I haven't gone into the question of fish. I am only speaking of steel, and unless the other one is analysed very carefully, I couldn't speak to it.

Q. The reason I asked you those questions was why we should apply the selective aspect you keep speaking of, the key point, as a general alternative to increases by the horizontal percentage method.

MR. MATHESON: You see, at the present time, as you know, that Montreal is a key point in the existing rate strucre. Now, when you go into the question from a selectivity approach you have to take each commodity on its merits and assess it from this angle, and for me to tell you that this same approach, taking fish, for example, could be applied to fish or, say, lumber or any other commodity, I would not commit myself in that respect. I would say that each one of these commodities would have to be taken on its merits, as they did in the United States when they were trying to assess the application of an increase in the case of lumber where the lumber origins of the west were taken into consideration with other lumber origins. The grapefruit and oranges of Alberta were taken into consideration with the grapefruit and oranges of California, and then they came up with cases.

Q. You are not trying to suggest to this Commission that lumber rates in the United States, the rate on the Chicago-Mississippi, was done on a





#### ANGUS. STONEHOUSE & CO. LTD. Matheson, Ellis, Hicks. Moloughney, cr-ex. (Sinclair)

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commodity basis. I suggest to you it was done on a railroad competitive basis, as also was the fruit.

MR. MATHESON: And also on a market competitive

0. There has been evidence given in Canada explaining that, that this arose from interrailway competition and was not analysed at all.

MR. MATHESON: My own impression of it is that the commodity aspect comes into play as well as the railway competitive feature.

Q. If that is your opinion, I think the Commission can find the evidence. I will give it to the Commission.. It was Mr. Sheppard's evidence in one of the general revenue cases. The point is that your idea of selectivity in key points as an alternative to general revenue cases would require a commodity by commodity analysis and a determination of what would be a proper rate taking into account all commodities in Canada.

MR. MATHESON: I would say that you would have to give it a general assessment, yes.

Q. And you would also in that analysis take into account forces of competition?

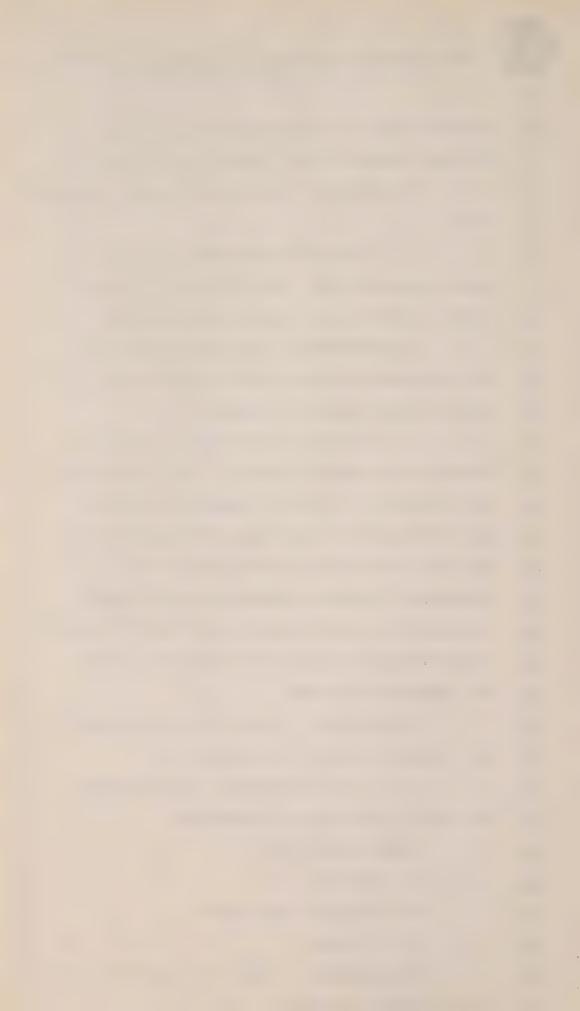
MR. MATHESON: Yes.

Q. Market?

MR. MATHESON: Yes, I agree.

Q. Carrier?

MR. MATHESON: I agree you would have to take in the carrier competition.



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Q. And at the same time the overall result would be to look for a basis that would meet the revenue requirements and nothing that would affect the free movement of traffic.

MR. MATHESON: As far as you could go to maximize the traffic of the carrier involved.

Q. Who would be the person that selected for each of these commodities, and there are quite a number of them, the key points? Who would do that job?

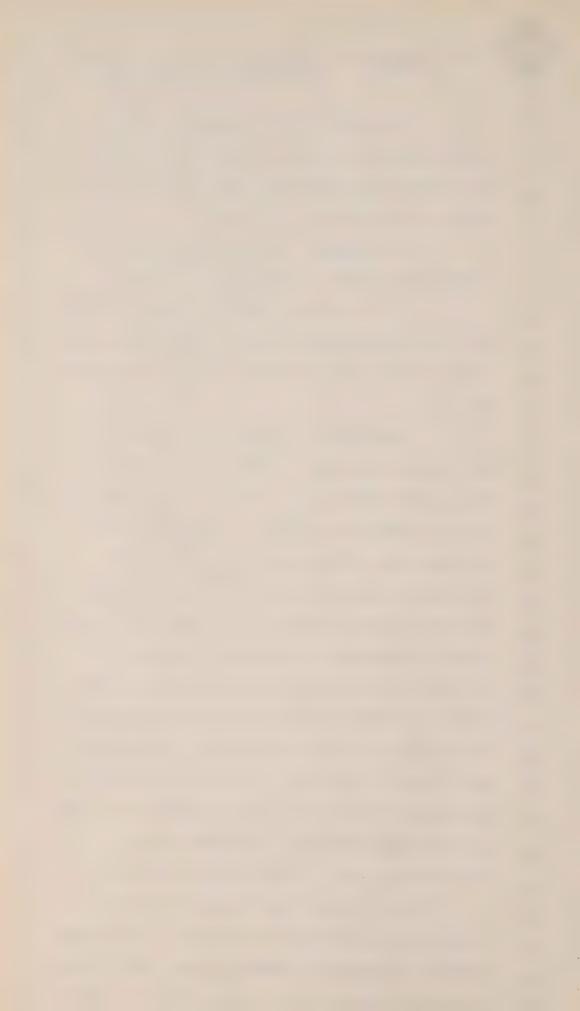
MR. MATHESON: You see, Mr. Sinclair, you are stressing key point. That doesn't necessarily mean in our particular case that you would have a key point. I think we are going up the wrong path in stressing that. In our particular case we are stressing the key point, and the key point in this particular instance has to do with the market, from Windsor to Montreal, so we say we want to get to the fringe of that market plus differences beyond. But we are taking Montreal as a key point because it is applicable in relation to our set up with steel and the market for steel. It doesn't necessarily mean that you take a key point for lumber or for fish or some other commodity. It depends on the circumstances, and I go back to that advisedly.

Q. Is it not your suggestion to this

Commission in answer to my friend that the selection

approach rather than a general approach would be used

in general revenue cases and the principle of the key





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point would be applied?

MR. MATHESON: A key point might be applied in any one case; it may be Toronto, it may be Winnipeg. There is a variation.

Q. I am asking who would do the selection of the key point on this commodity. Who would do it? The railways?

MR. MATHESON: Well, before the Board of Transport Commissioners, an application before the Board, and in some cases the Interstate Commerce Commission in the United States.

Q. In view of the position of the railways, they said they could not do that, that the job is altogether too difficult.

MR. MATHESON: I have heard that before.

And do you think that what should be happening is that the Board of Transport Commissioners put in an advertisement in the papers saying that industries please within ten days write in and fix the key point for their industry? Would you like to have that done?

MR. MATHESON: In our case of steel, I am back to that, Dosco as far as I can remember, has appeared in opposition to the horizontal increase method, because it was restricting them in their industry and had had the effect of restricting it, and there was exchange of correspondence back in 1949, in the fall of 1949, with the Board of Transport Commissioners on the same subject, and there have been





# ANGUS. STONEHOUSE & CO. LTD. Matheson, Ellis, Hicks, Moloughney, cr-ex. (Sinclair)

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repeated appearances. What we are saying in this particular case is that it is still a matter that should be given consideration on a general basis.

Q. In regard to your proposals as to steel, there is a subvention involved, so the revenue of the railways wouldn't be adversely affected.

MR. MATHESON: Keeping in mind the historical background and the market outlets and the extremity of the country, and so on.

Q. I want to get to this selective situation. I want you to tell this Commission who, in your view, would pick the key point. Who would pick it?

MR. MATHESON: Well, we suggest the key point, Montreal.

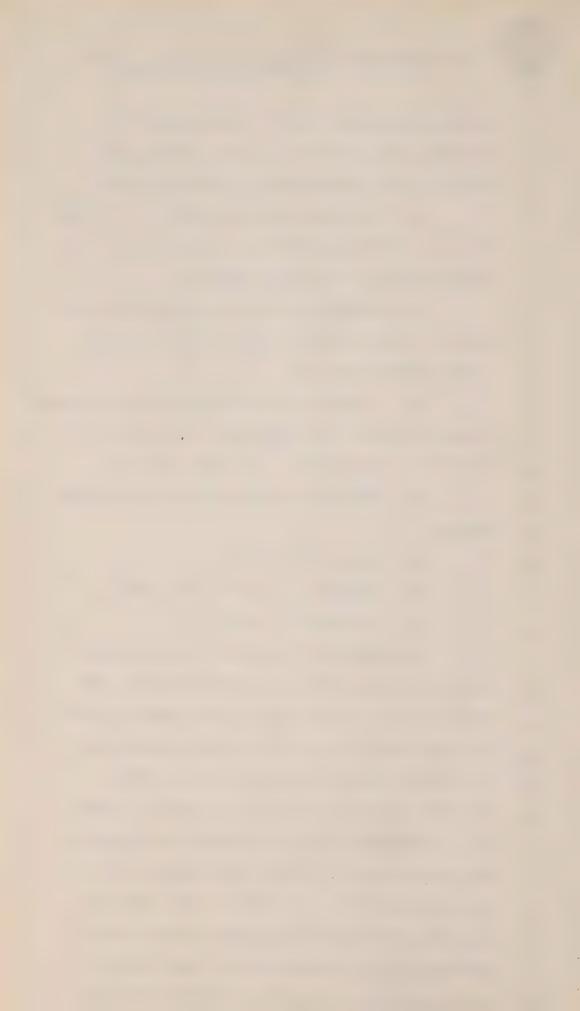
> That is for steel? Q. .

MR. MATHESON: Yes, that is for steel.

Q. Leaving steel aside ---

MR. MATHESON: The others I am not going to go into. We suggested in our brief Montreal. The industry itself -- let's say the fish industry; let's say representatives down from British Columbia and from Saskatchewan in connection with the lakes, and other representatives could be involved. They have a fishing association in Montreal, the National Fish Association, and they get together and it is set up. Could not it be that in that particular case they could go to the railways and make their application to the railways, and if they were at loggerheads they could go to the Board of Transport

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# ANGUS STONEHOUSE & CO. LTD. Matheson, Ellis, Hicks, Moloughney.cr-ex.(Sinclair)

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Q. You would agree that cases have to be handled with expedition and to enable the railway revenues cases to be met promptly.

MR. MATHESON: I think the position has to be looked at realistically.

THE CHAIRMAN: I think the railways suggested two hold-downs some years ago.

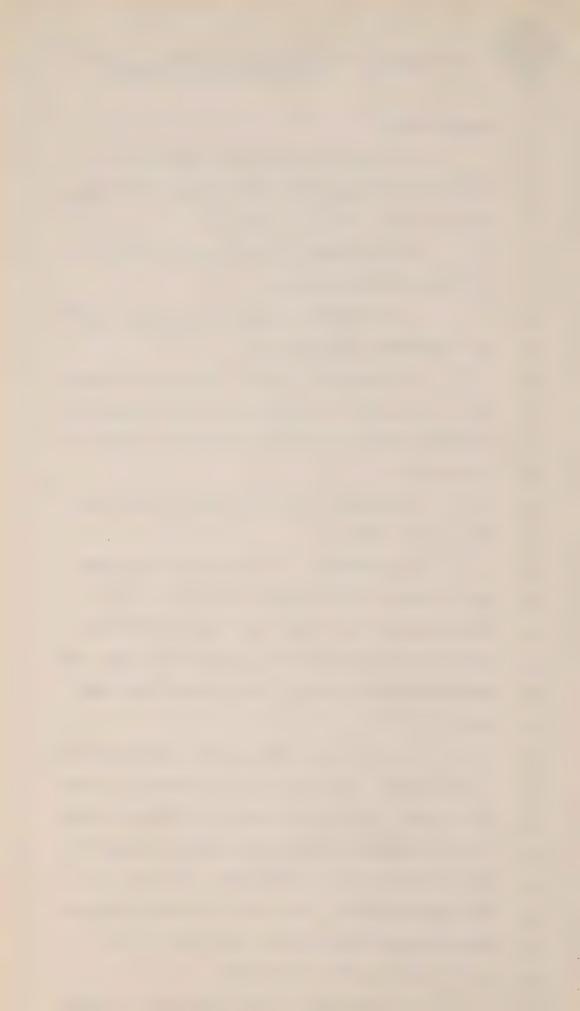
MR. SINCLAIR: And had their heads knocked off in the process. Not only that, Mr. Chairman; my friend Mr. Smith at one time convinced the Board with a witness ---

MR. SMITH: You never forgot that witness, did you. Mr. Sinclair?

MR. SINCLAIR: And he convinced the Board that, because of the depressed conditions in the potato market, they needed some special assistance, and the Board gave it to them, and we came back, and potatoes then were selling for a higher price than apples.

Q. Now, Mr. Matheson, the final point that I have is this: have you given consideration to the proposition that possibly instead as a steel mustry in the Maritimes which has met unusual problems from the time it was first established in the Maritimes, the export situation, the import situation, change of markets of Dosco and the fact that there are now three or four plants in being ---

MR. MATHESON: We have them actively going.





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# Matheson, Ellis, Hicks, 14890 TORONTO, ONTARIO Moloughney, cr-ex. (Sinclair)

Q. Possibly more?

MR. MATHESON: Possibly more.

Q. Have you considered that if you are not to move from the Maritimes by the very force of economic change, a direct subvention to Dosco to maintain steel production in the Maritimes?

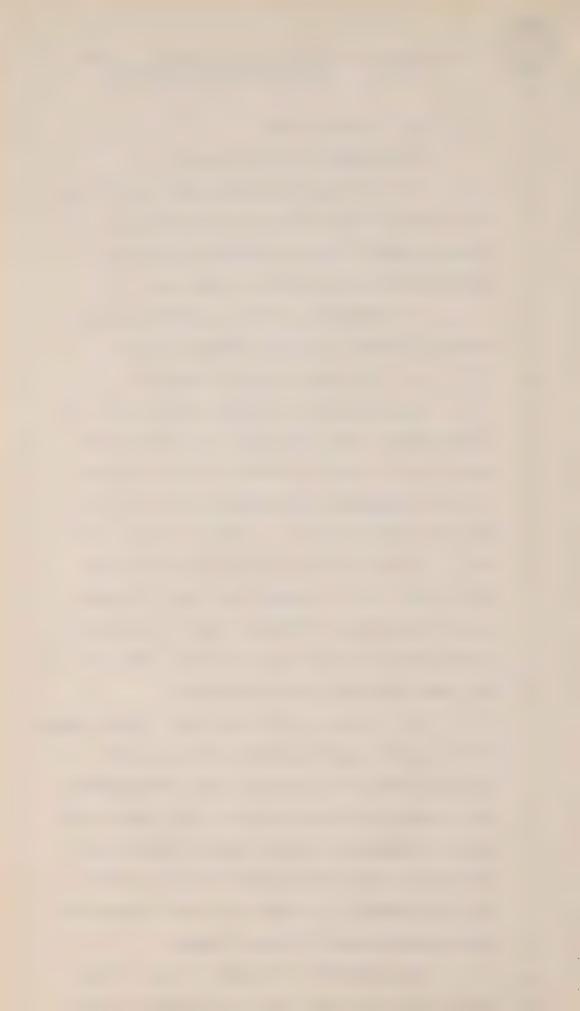
MR. MATHESON: That is a matter of policy to which I couldn't give you a definite reply.

Q. Mr. Fairley would be the man?

MR. MATHESON: Mr. Fairley would be the man to put that to. The only thing I could say at the present time is that as a measure and providing it is clearly identified, the easiest way for it to be applied is the same way as in connection with the coal rate. That is why the coal subvention is based on the rail. As you probably know, the subvention on coal from Sydney to different parts in Ontario is in the nature of 70 per cent of the rail rate, and that makes it an easy way of applying it.

Q. This is one of the things I would suggest that Mr. Fairley might consider. While you are saying it should be identified to the transportation rate, it might well be identified to the change in the labour cost at Dosco, Sydney, plant, compared to the labour cost in the export markets that they have to meet, for instance, in Germany and Japan, rather than using transportation in interior Canada.

MR. MATHESON: As a matter of fact, we did mention it in our brief, that transportation or the



rate itself should be used as a measure of assistance

in this particular case where you are trying to get into a market in supplementing outside markets.

Q. I am suggesting that transportation

Q. I am suggesting that transportation might not be the only and it may well not be the best method of stimulating an industry in the light of changing economic conditions.

MR. MATHESON: Well, if there is a better method of doing it, I hope it is found.

MR. SINCLAIR: Thank you, Mr. Matheson.

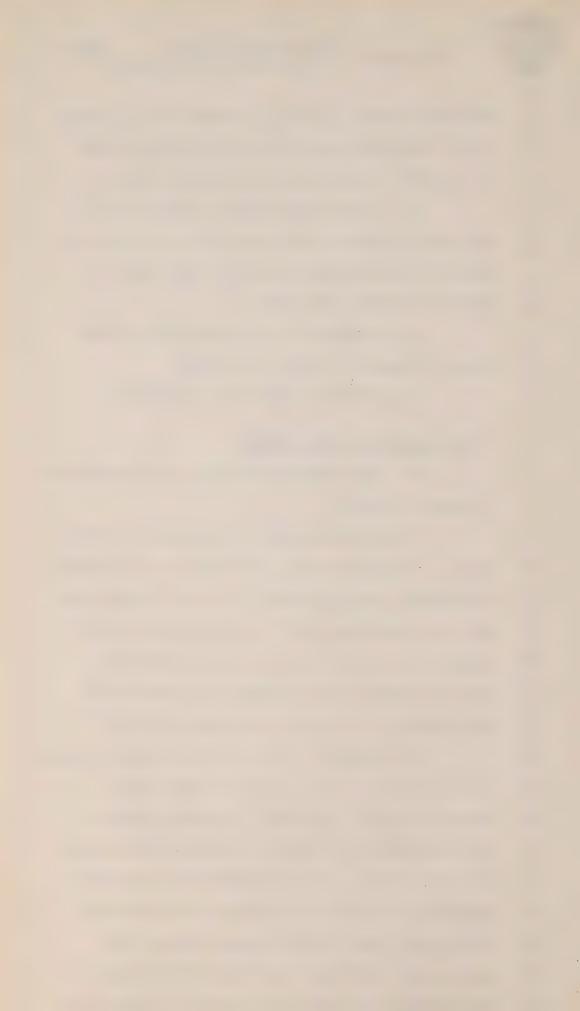
# ---RE-EXAMINATION BY MR. SMITH

Q. Mr. Matheson, there is only one question

I propose to ask you.

Mr. Sinclair asked you a question to this
effect: when Dosco built a sheet mill in the vicinity
of Montreal, would you think it would be proper that
the rate from Contracoeur would be the key rate for
Algoma? I am not too clear on the application
of your proposal to this Commission in relation to
that question, and perhaps you could clarify it.

MR. MATHESON: Well, our proposition basically is to get to the fringe of the principal steel market of Canada, for example, Montreal, and from there existing differences in the rates to be added to points beyond. But the application of the same proposition to Algoma for relatively less mileages would give a parity at the western fringe of the market, say, at Windsor, and still they would be also closer to the core of the market in Canada, the



# Matheson, Ellis, Hicks, 14892 TORONTO, ONTARIO Moloughney, re-ex. (Smith)

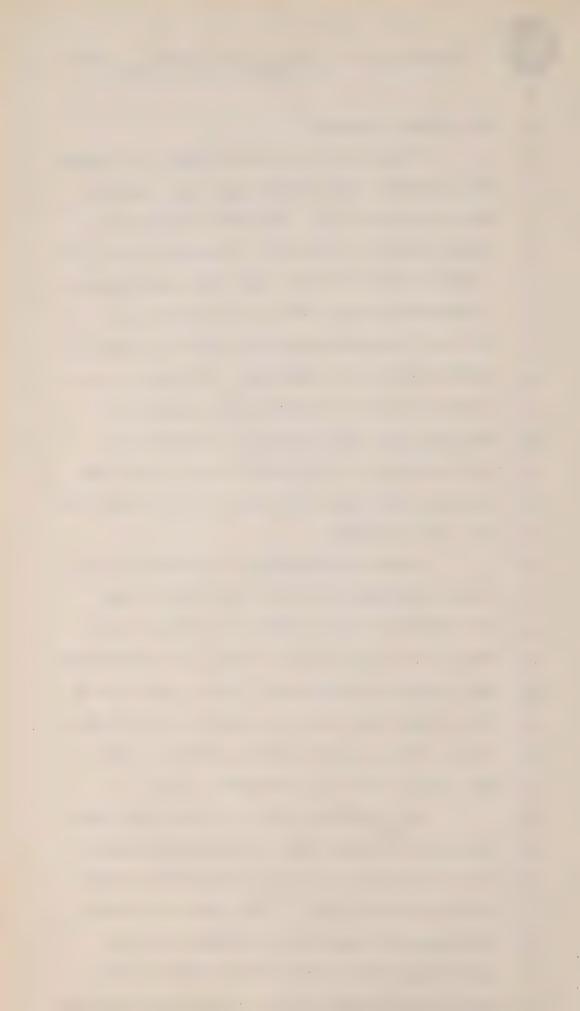
steel market in Canada.

There is just one other thing. Mr. Brazier asked yesterday about freight rates from Sydney to Vancouver on wire rods. The rate is \$2.93 for a carload minimum of 80,000 lbs., \$2.93 per 100 lbs. for a carlod minimum of 80,000 lbs. Then from Montreal to Vancouver the base rate or the normal rate is \$2.73 for a carload minimum of 80,000 lbs. There is a differential of 20 cents there. But there is also a charge of \$1.40 from Hamilton and Montreal to Vancouver with a carload minimum of 100,000 lbs.

We are parties from our Montreal plant to that rate agreement, but we are not parties to it in respect of wire rods from Sydney.

my simplicity, and utter lack of knowledge of the steel business I have to admit that perhaps what I want to say be be just out of line, but, nevertheless, that is what we are here for. Can you explain to me what you mean when you say you want to get on to the fringe of this so-called central market? Why don't you get right into the centre of it?

MR. MATHESON: Well, if we asked for a rate reduction on a parity basis to get into the centre of it we would be asking for -- take Toronto, where the truck rate was 2688. Well, that to me would be a ridiculous proposition. In other words, we couldn't very well ask for a rate reduction which would be involved there in the neighbourhood of \$11.00



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Does that answer your question, Commission 30 Anscomb?

or \$12.00 a ton in order to get right into the core of the market in Canada, which is in the vicinity of Toronto. So what we are saying in connection with the proposition is, give us a rail rate, a net or billed rail rate that would get us to Montreal, which is the fringe of the market with the greatest consumption; 75 per cent of the steel consumed in Canada is consumed there. So we are asking to get to the fringe on the rail rate basis.

Incidentally, that rail rate is not too far apart from the actual water rates, allowing for loading and discharging, and there is a possibility that we can even develop a lower rate than what we are asking of \$5.89 from Sydney to Montreal by water, including loading and discharging. As a matter of fact, our agreed charge today is a net rate of \$8.00, and that reflects the water competition, and that is a rate application throughout twelve months of the year. So in the fabrication of that rate that took into account certain factors such as the inventory and costs that would be to us if we moved by water in the summertime and storing for production for winter purposes in our mill. So we are trying to be realistic when we say to the fringe of the market, then add on the existing differences in rates beyond, and by doing that it would help us to get the other markets at a lower rate than we are paying presently.





# Matheson, Ellis, Hicks, 14894 TORONTO. ONTARIO Moloughney, re-ex. (Smith)

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COMMISSIONER ANSCOMB: I would say yes;
I think it is very lucid.

Now, can I take you to page 30 where you talk about the ingot capacity of the operations.

Now, does capacity mean exactly what it says and, if so -- and don't answer this if you don't want to, because I am not snooping. If that doesn't mean what it says, can you tell me what percentage of your capacity you operate at?

MR. MATHESON: That, of course, varies.

Well, about two or three weeks ago, or a couple of months ago we were operating at approximately 70 per cent capacity.





#### Matheson, Ellis, ANGUS, STONEHOUSE & CO. LTD. TORONTO, ONTARIO Hicks, Moloughney (Anscomb)

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MR. MATHESON: I couldn't say just at that

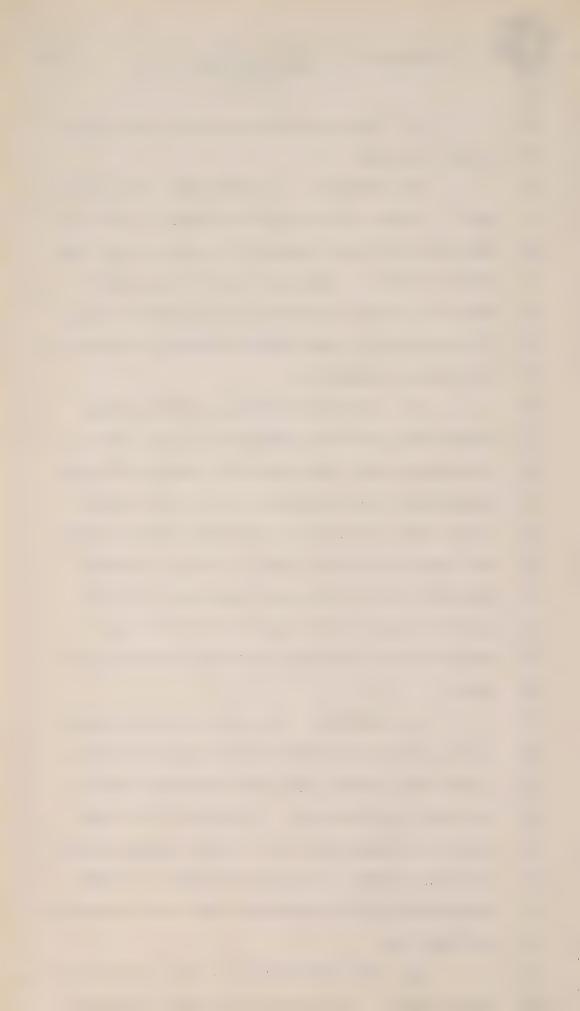
Q. And the central provinces plants would

time. I think that Hamilton was slightly below us at that particular time because of the impact of the automobile industry. They sell a lot of flat steel -sheets and plates, and we don't produce that at all. So, there were some repercussions stemming from that in the industry in Hamilton.

Q. Let us assume that tomorrow morning you had what you are now asking for -- and I take it you obviously are a very aggressive company with good salesmanship, good management, and that the quality of your stuff is the same as everybody else's, and on that basis you would get into the central Canadian market and secure a very good proportion of the 31 million increase in the central provinces -- just normal business competition would give you that: am I right?

MR. MATHESON: Yes, what we are looking at is the anticipated increase in the markets of Canada. I forget what the per capita consumption as cited by the Gordon Commission was. This wouldn't perhaps displace our competitors, but with the growing outlets for steel it would give us an opportunity to expand commensurate with the opportunity that this arrangement would give us.

Q. Well, there may be a wide difference of opinion there. Let us assume the Gordon Commission





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#### ANGUS, STONEHOUSE & CO. LTD. Matheson, Ellis. TORONTO, ONTARIO Hicks, Moloughney (Anscemb)

were right out of the picture and there was no increase in the next decade. I am still saying you would get into that market anyhow by the ordinary process of competition, and secure a good deal of that business. If you didn't it is no use your having what you are asking for?

> MR. MATHESON: That is right.

Well, would that then put you in the position where you would have to increase the capacity in your Sydney plant?

MR. MATHESON: There are present plans to increase the capacity of the steel plant when the mill is constructed at Contrecoeur whereby slabs would be supplied from Sydney, and I am informed that the ingot capacity would be increased to 1.2 million tons of ingot equivalent. This is all contingent, of course, on the construction of this plant at Contrecoeur where we will be supplying the steel slabs to the extent of something in the neighbourhood of 300,000 up to 500,000 tons from the Sydney plant. That is presently Even now, there is an expansion being planned. arrangement in sight but a great deal depends on the cost of getting the ra. materials from the Sydney plant into that new plant.

Q. The point I am trying to get to, and I find my own difficulty in the point because I don't understand these differ at things that you fabricate is one place and in another, if you are going into the contral "anadian markets and going to take some busing "



which you obviously must do or you may just as well not be here this morning, you are going to take some of that business and then increase your own saparity so to legge are simply going to reduce the production now taking place in the central Canadian provincies and increase your own assuming the market remains fairly static?

MR. MATHESON: Yes, we may, by such an arrangement be just holding the market, and then, through progressive management and what have you we may be able to expand it in line with the expansion in Canada which all consultants who have gone into the problem are prognosticating in regard to the expansion of steel consumption in Canada. That is what we are hoping for. It is not so much taking away from somebody else, because I think there will be plenty of room for all. It is to get into the expansion, and let us not go into a phase of retrogression any more than what we have.

nent question, I think, either to you or to the Maritimes Transportation Commission representative a couple of days ago -- and I certainly don't want to take from him what he might say about it, but I want to know about it on the basis that with a subvention of any kind, which can be changed by statute of Parliament in three days, anyway, how would any business go into the maritimes and build a plant hoping to de local business and come into central Canada on the basis of a railway problem? You and I agree, as a couple of business

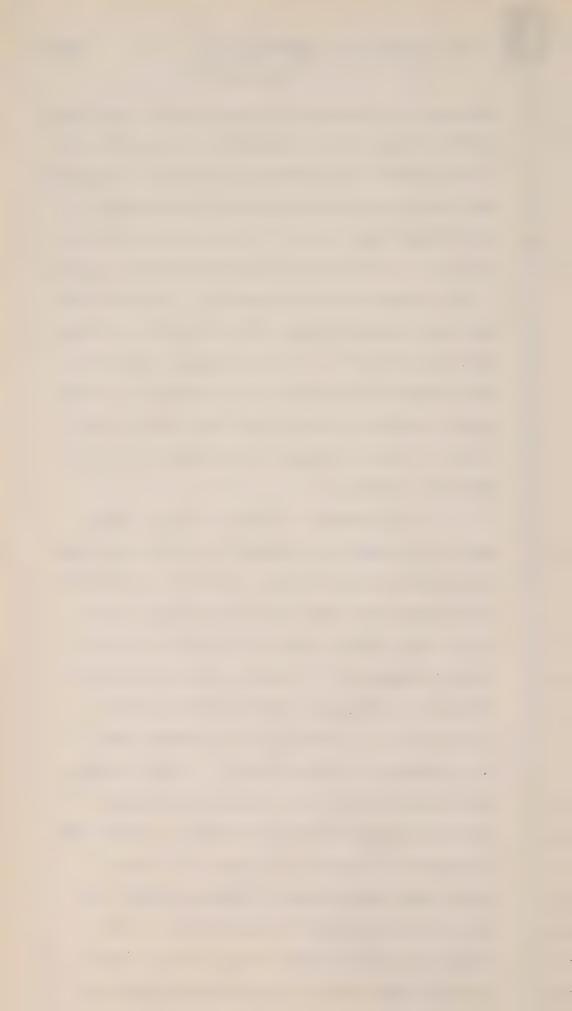




# ANGUS, STONEHOUSE & CO. LTD. Matheson, Ellis, Hicks, Moloughne, (Anscomb)

fellows, we are starting a business tomorrow, and there are two things that will motivate our doing so: one is the density of population so as to sell the product, and the other the proximity to our raw materials — and perhaps labour costs. If you were to get this tomorrow — and I will follow this by another question — and I wanted to go into business, I would want the same deal you are getting, but why would I go to the maritimes to do it? I am not saying it would not do the existing businesses in the maritimes a lot of good — certainly it would; who else would go down there? You just forget for the moment you are in the steel business.

MR. MATHESON: That is a pretty tough question to answer, and certainly a person would want to assess all these factors. He is nine hundred or one thousand miles away from the principal market, but we hope, however, that in our particular case I have to come back to steel it will assuage us. because I am not going into the case of another industry at all. That is not the general brief --I am speaking to a limited brief. I think perhaps there might be sort of an inducement that might perhaps take care of the local market. We are still up against the economies of scale, but a local market, and perhaps industry begand industry, and this could perhaps give a stimulant that in due course would help increase the population in the maritime area instead of the population moving out



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Q. Yes, I mean steel. MR. MATHESON: Well, I mentioned that there

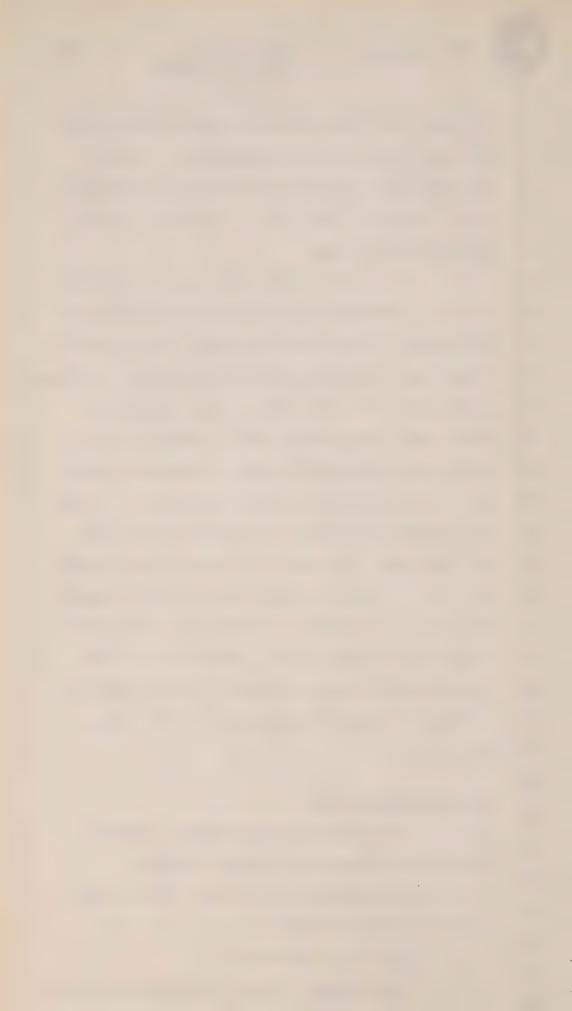
of there, and in due course the means would justify the end of such a basis of assistance. That is something that has to be explored and is something I feel I should not delve into. There has been a general brief on that.

Q. Well, I agree with you, of course, if it is all predicated on the future of Canada and the development of the central provinces, and the rest of Canada has increased production, there may be something in it, but it is pretty interesting to realize as we sit here that everybody says -- and they say it quite blandly apparently without thinking much about it -- that the national treasury would pay. I heard my colleague Mr. Brazier from British Columbia say the other day, "You would go to the national Treasury for it." I begin to wonder sometimes who is going to put it into the national treasury. I am beginning to think we are pricing ourselves out of the free enterprise system and pretty soon you might as well have a planned economy under our own system. Thank you.

# BY COMMISSIONER PLATT:

Q. What is the comparison of wages in Nova Scotia, compared with central Canada?

MR. MATHESON: I can only speak in connection with the steel industry.



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is approximately a one per sent differential in favour of Sydney at the present time. That includes fringe benefits and what have you, and there has been sometimes a sort of a lag between Hamilton vis-a-vis Sydney. However, you might say they are on a relative parity.

COMMISSIONER ANSCOME: I take it there would be a wide wage difference between Sydney and British Columbia, if you had a plant in British Columbia?

MR. MATHESON: I would not know. I understand your wage scales out there are pretty high, and I understand there would be an impact there on the overall guestion of labour.

### BY COMMISSIONER MANN:

You have had quite an extensive discussion with Mr. Sinclair about selectivity, Mr. Matheson, and I think the answers there, as they came across to me from Mr. Sinclair's questions, indicated that he dealt with selectivity of rate increases, and that is what you mainly discussed with him?

MR. MATHESON: That is true.

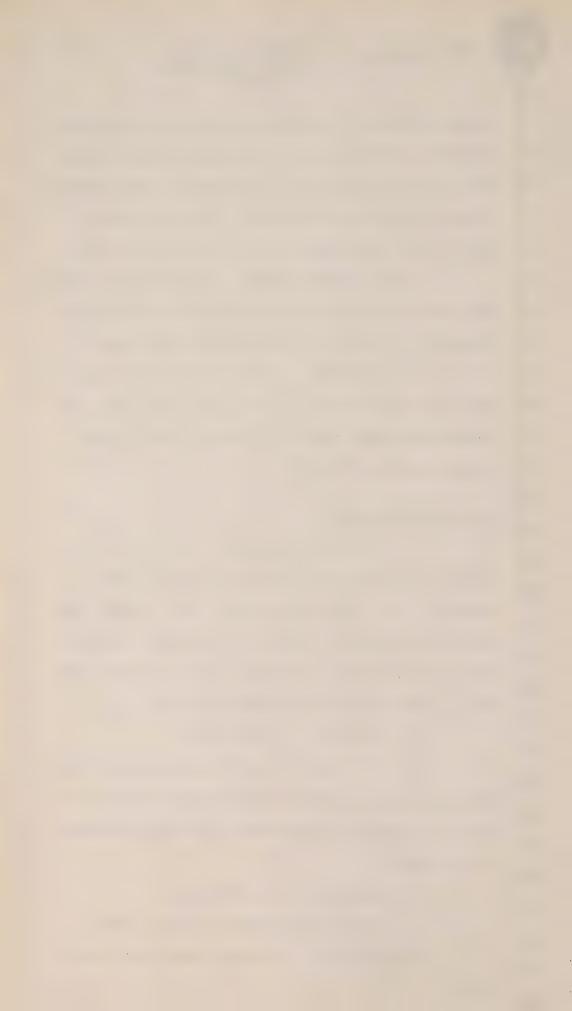
Am I correct in interpreting your brie this way, that while this increased selectivity is a factor, you are also suggesting a selective approach to subventiona?

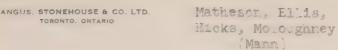
MR. MATHUSON: Oh, definitely.

MR. MATHES N:

That is the kernel of your brief? ies, the other was just an

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Q. I would think that you are familiar with Dr. Howland's study, "Some Regional Aspects of Canada's Economic Development", and Dr. Howland did this for the Gordon Commission.

MR. MATHESON: I perused it roughly, but I haven't absorbed it. If there is any part you want to discuss. I shall be glad to discuss it with you.

Q. I wanted to read you something Dr.

Howland said at pages 152 and 153 of that study. I

will read it to you and perhaps I will give it to you

a little later because it contains the same selective

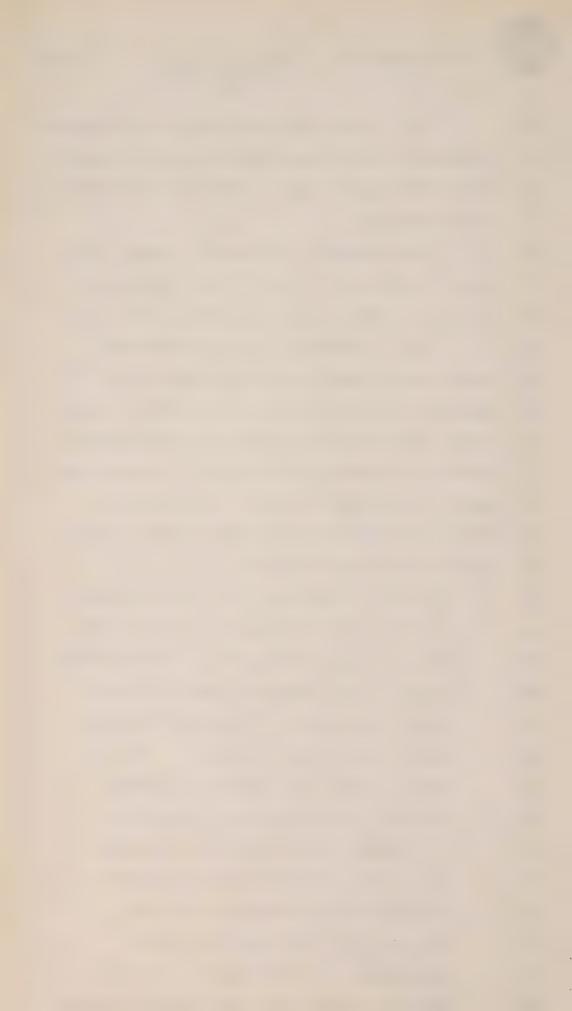
approach to subvention, and perhaps if I read you this

passage it would make it clear. Dr. Howland's

personal assessment of the economic situation in the

maritimes leads him to say this:

"The trend of the economy is toward the production of specialized products, the markets for which, in many instances, do not lie in central Canada. The commodities which can be produced in the region for the central Canadian market are few rather than many. More detailed studies might show that substantial assistance covering fewer but selected conmodities would cost no more than the present more general arrangement under the Maritime Freight Rates Act and might prove a more effective aid to the region's concomic development. In this regard it is interesting to contrast the Crows Nest Pass Agreement



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with the Maritime Freight Rates Act. Whereas the latter provided for general rate reduction, the Crows Nest Pass Agreement was essentially related to a particular resource of the Preirie Region and designed to maximize its comparative advantage. It is not unreasonable to question whether a similar approach to steel or other special resources of the Atlantic Region might not prove a more effective aid to economic development. As noted earlier, however, the facts are not available for any serious examination of the matter."

Am I right in assuming that you are essentially following in your brief the Howland principle of selective approach?

MR. MATHESON: Yes, I wasn't aware of that particular section, but that, in essence, without absorbing it more carefully, I would say, just roughly, in an off-the-cuff answer, that the answer is yes.

THE CHAIRMAN: Well, thank you, Mr. Matheson.

Your evidence has indicated perhaps as much as anything else we have had presented to us the complexity of the problem before the Commission.

MR. MATHESON: Thank you.



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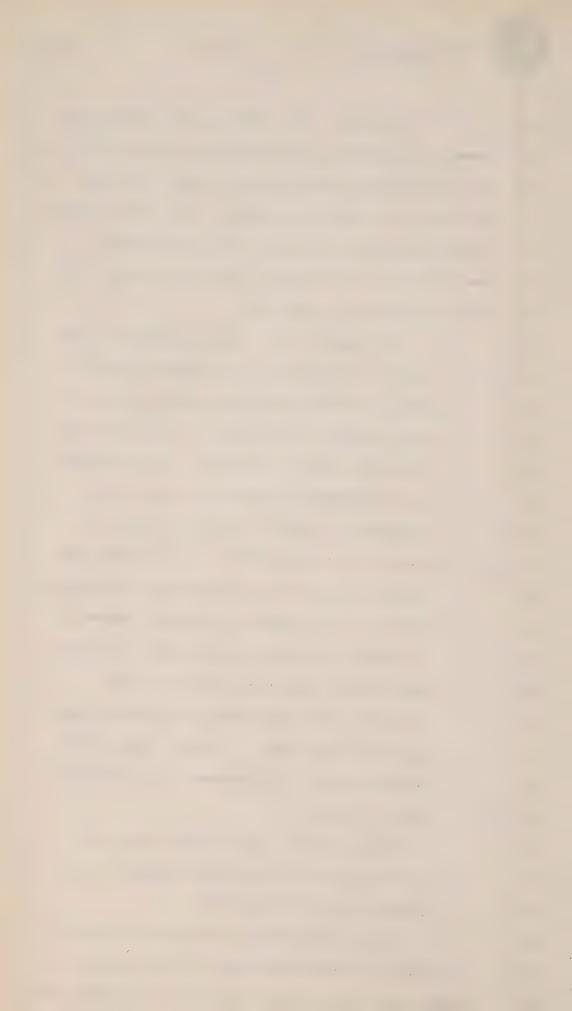
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MR. SMITH: Mr. Chairman, Mr. Dickson has drawn to my attention that there was a question put t. him by Mr. Cooper dealing with the port situation. will refer to Volume 84, September 19th, 1960, at page 14511, and perhaps for your better understanding of the question I will read Mr. Cooper's question. It is at the bottom of page 14511:

> "Mr. Cooper: Q. Dealing generally with chapter V, The Railways and Canadian Atlantic Ports, I consider that this matter cannot perhaps properly be dealt with by this Commission within its terms of reference, and particularly the recommendation contained at page 70 in paragraph 313 where you refer to a national policy of port utilization. If you have any concrete suggestions as to what this Commission might do in this matter, and having regard to its terms of reference, perhaps you could put them forward, otherwise I don't see this Commission can do much about the matters which you have raised here. Perhaps they may be referred to the Vice Chairman of the National Harbours Beard.

Could I have some time "Mr. Diekson: to think about that particular question and perhaps answer it later on?"

I am volunteering a submission or just an expression of views on the matter to this effect: I suggest that the question, of course, is somewhat more





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or less of a legal question, or it is one for your interpretation of Term (e) of the Terms of Reference in the Order in Council which, as you are well aware, speaks of "other related matters". It is my respectful submission that the question of the effect of the utilization of the Canadian Atlantic ports, including the winter utilization of the ports of Halifax and Saint John, in the export and import trade, has in it one which concerns the revenue position of the railways and inasmuch as the trade would be earned if the ports were utilized to a greater extent than at the present time -- that is, all the Canadian Atlantic ports, and particularly in the winter the ports of Halifax and Saint John -- I therefore respectfully suggest that for that purpose this matter is embraced within the terms of reference. May I add that it was on that basis that the Maritimes Transportation Commission has brought the question to the attention of your Commission in order that you may look into the question and, having decided as to whether it lies within the terms of reference, make such recommendation as you consider advisable in the circumstances.

THE CHAIRMAN: All roads lead to Rome.

MR. SMITH: Yes.

--- Short recess.



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THE CHAIRMAN: Order, please.

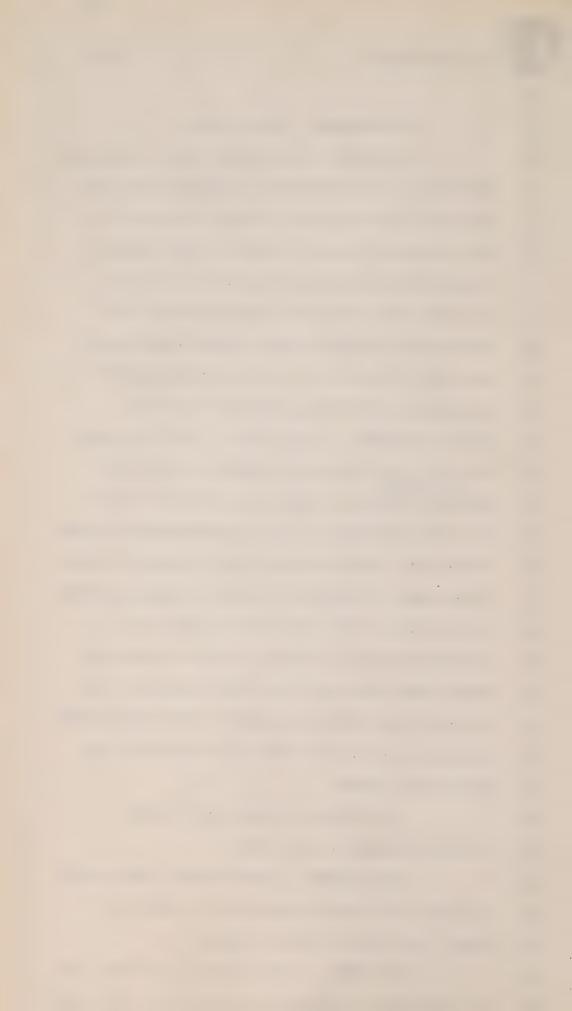
MR. SMITH: If it pleases you, Mr. Chairman, and members of the Commission, I appear now for the Government of the Province of Nova Scotia and in this connection I wrote a letter to the secretary of your Commission on September 2nd, in which I referred to the fact that in paragraph 84 of the submission of Dominion Steel and Coal Corporation reference was made to an economic study prepared by Arthur D. Little Incorporated for the Nova Scotia government. In my letter, I went on further to state that I had been instructed by the Nova government Scotia/to inform you that it was intended to call Mr. Pepper of Arthur D. Little Incorporated to appear before your Commission and to give evidence in respect of the study in question on behalf of the government. At that time, I sent twenty-five copies of a memorandum report of Arthur D. Little Incorporated with a table taken from the report entitled: "The Future of Steel Making in Sydney", which would afford information as to the nature of the evidence to be given by Mr. Pepper.

I now have Mr. Pepper here to give evidence pursuant to my request.

THE CHAIRMAN: I understand Mr. Mauro wants to speak, but I would suggest that we hear Mr.

Pepper as he has to catch a plane.

MR. SMITH: I would like to say that I do not think that Mr. Pepper's evidence will occupy much





time and that, if possible, I would like to get him away to catch the plane. We will conclude before the recess.

Without further ado, I will call on Mr. Pepper.

## --- MR. E. PEPPER, called.

## --- DIRECT EXAMINATION BY MR. SILTH

- Q. Mr. Pepper, will you please tell the Commission something about Arthur D. Little Inc. whom I understand are consulting engineers?
- A. This is correct. Arthur D. Little Inc.

  is a consulting engineering firm with its headquarters

  located in Cambridge, Mass. We are the oldest

  consulting firm in the United States. We are also

  the largest consulting firm in the United States

  engaged in business for a profit.

We have been in business for about seventyfive years. We have done extensive work in Canada and
in other parts of the world.

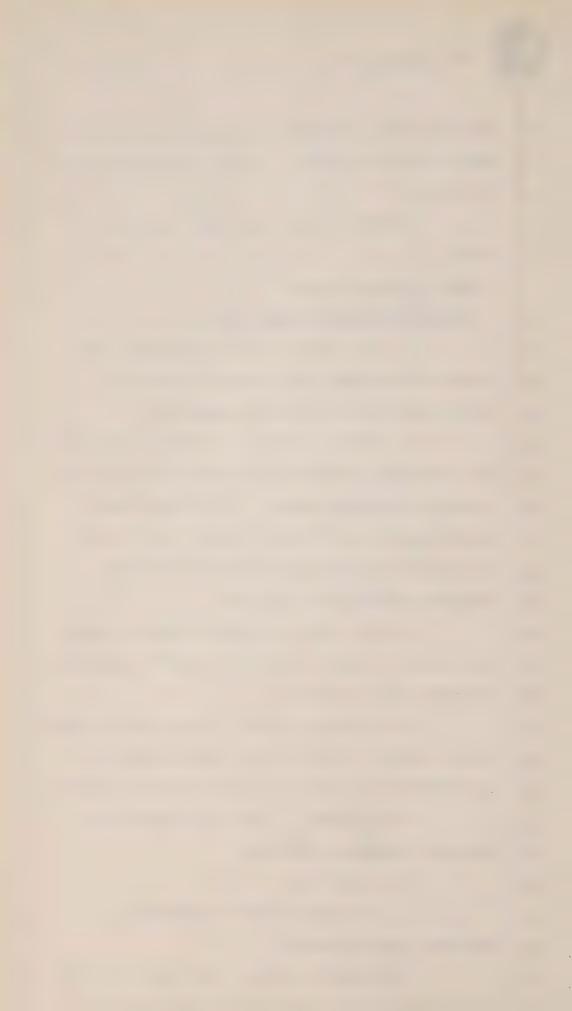
For a number of years, we have been retained by the provinces of Nova Scotia, Manitoba and Newfoundland to be their advisers on technical matters.

THE CHAIRMAN: I think it is right that they are internationally known.

MR. SMITH: Yes.

Q. You have a staff of scientists, engineers and accountants?

A. This is correct. We have a staff of about 1300 people; 700 of them are engineers or



economists.

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Q. Yes.

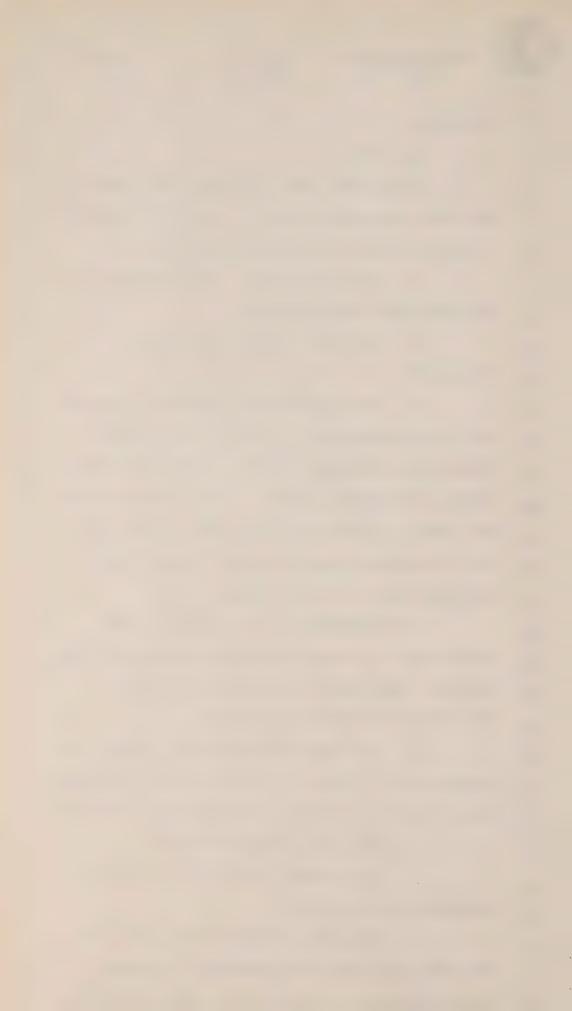
Now, I just wish to ask you a few questions about your own qualifications. You are a graduate of the Massachusets Institute of Technology?

- A. This is correct. I have a degree in metallurgy from that institution.
- Q. And what has been your personal experience?
- A. Upon graduation, I spent four years in the United States Navy as an officer on destroyers.

  I have spent a few months working for Reynolds Metal Company, an aluminum producer. I have been associated with Arthur D. Little Inc. for almost fifteen years as a metallurgist, working primarily on problems associated with the steel industry.

I have personally been concerned with
evaluations of integrated steel facilities in British
Columbia, Manitoba, Nova Scotia, East Pakistan,
Peru. Cuba and several other places.

- Q. Was your firm of Arthur D. Little Inc. engaged by the government of Nove Ecotia to study and make a report on the future of steel making in Sydney?
  - A. Yes, sir. That is correct.
- Q. Do you know what brought about the engagement of your company?
- A. The public announcement by Dosco to the effect that they were considering building a flat rolling mill in the Montreal area was the reason.



for our survey.

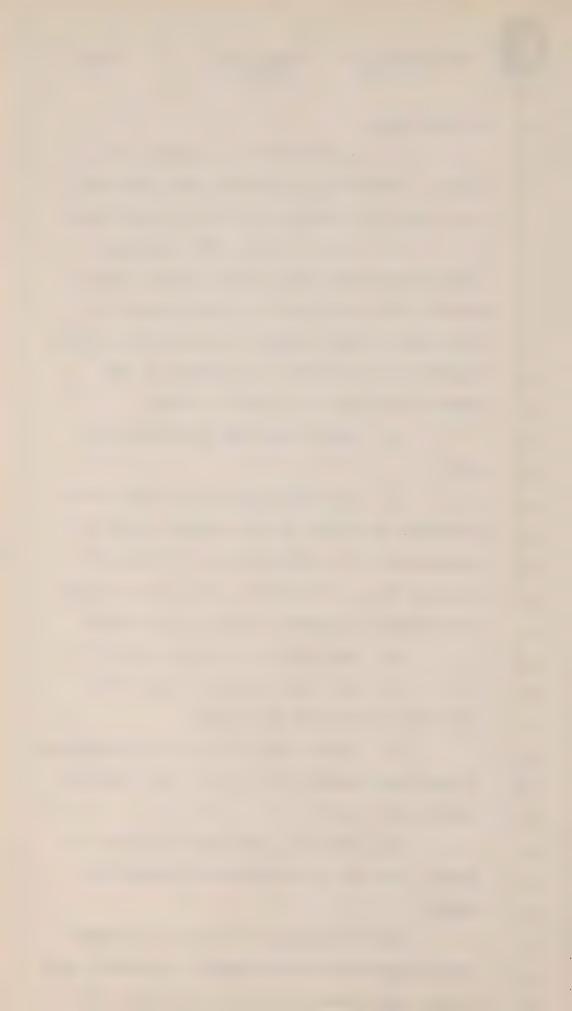
- Q. And what did the government wish to obtain -- information to ascertain the effect this might have on the operation of the city steel plant?
- A. That is correct. The government wanted to know what would be the long term rather than the short term effect of a flat rolling mill.

  They wanted to know whether or not basic steel making facilities would be located in Montreal at the expense of capacity now located in Sydney.
- Q. And what was your investigation to cover?
- A. Our investigation was to cover, was to provide our opinion of the relative capital and operating costs for producing steel in Sydney and producing steel in the Montreal area and delivering these products to markets in Canada and overseas.
  - Q. Was that over a period of years?
- A. Yes, sir. We made a study which covered the period 1960 through 1970.
- Q. And was this mill that was contemplated in your understanding to be supplied with raw steel from the Sydney plant?
- A. Initially, the flat rolling mill in Montreal area was to be supplied with slabs from Sydney.

However, because of physical limitations

Sydney's capacity could be expanded economically only

a small amount, and we felt that additional steel



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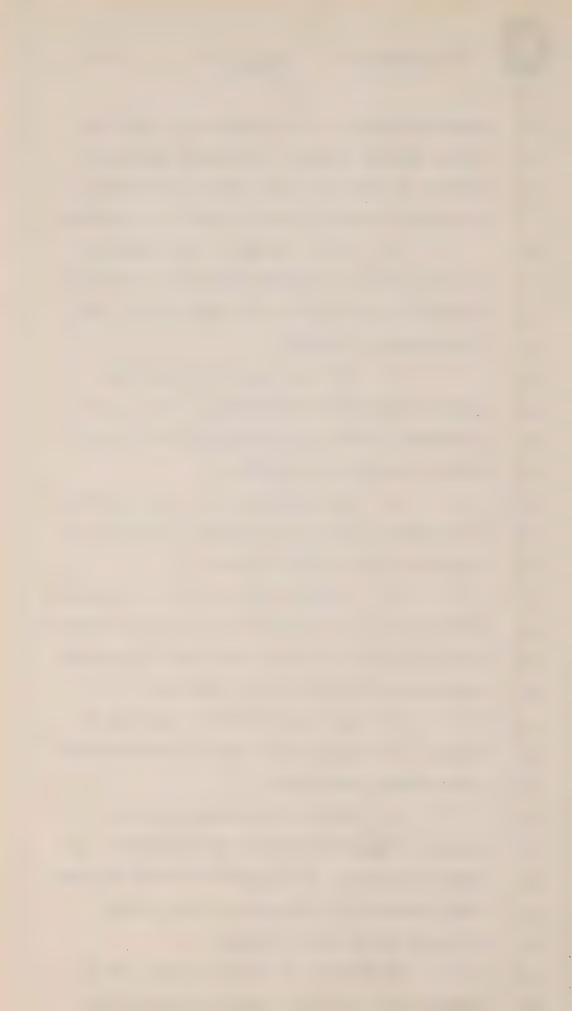
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- making facilities -- our purpose was to determine. rather, whether additional facilities which would probably be required in our opinion by the flat rolling mill would be built in Sydney or in Montreal.
- Q. I see. And what, in your opinion, was the primary disadvantage transportation-wise of delivery of the products of the Sydney mill to the central Canadian markets?
- A. Our belief was that the principal impetus behind the establishment of steel mill in the Montreal area was the transportation problems and costs faced by the Sydney mill.
- Had you any idea as to what percentage of the Sydney products were marketed in Canada and sold west of the Atlantic provinces?
- A. We made a market survey of the products that Dosco produces and sells and the result indicated that over 90 per cent of the Canadian sold products were sold west of the Atlantic provinces.
- Q. Now, could I ask this question, Mr. Pepper: from whom did you obtain the data on which your estimates were based?
- A. The data was obtained from such sources as the Dominion Bureau of Statistics. We talked with Dosco. We talked with a number of larger steel consumers in Canada, both in the Atlantic provinces and in central Canada.

In addition, we had discussions with a number of U.S. companies, and we had considerable



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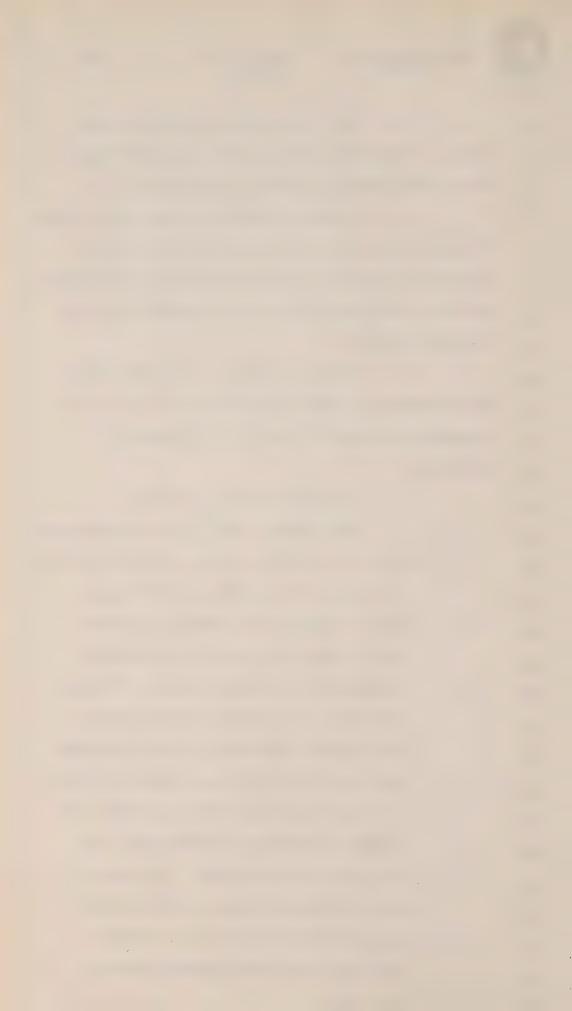
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Q. And, next, did you determine on the basis of established freight rates the total figure of Dosco in delivering the products to Montreal?

- A. We made a comparison between the freight that Dosco would have to pay were its steel making facilities located in Montreal compared with the freight that Dosco would pay were its steel making facilities located in Sydney.
- Q. Now, you prepared a memorandum report which perhaps you could read, Mr. Pepper, with such comments from time to time as you may consider advisable.
  - A. Our report states as follows:

"The Dominion Steel and Coal Corporation Ltd.'s steel mill in Sydney, Nova Scotia, has to contend with a sizeable rail freight cost in shipping its products to market. Dosco's markets (in order of importance volume-wise) are Quebec, Ontario, Atlantic provinces, and the west. Dosco's present steel-making facilities in Sydney are about 1,000 miles from its major market, Montreal. Its major competitions for its markets are located in Hamilton, Ontario, only about 400 miles west of Montreal. In order to reach its market, Dosco now has to absorb the difference in freight cost between Sydney and the market and Hamilton and its market.



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While we have not actually calculated

Dosco's present freight disadvantage..."

-- and here we refer to the disadvantage that Dosco
does face in a location in Sydney vis-a-vis a new
facility it might build in Montreal.

"...it approximates \$4 million

per year as shown in the attached table

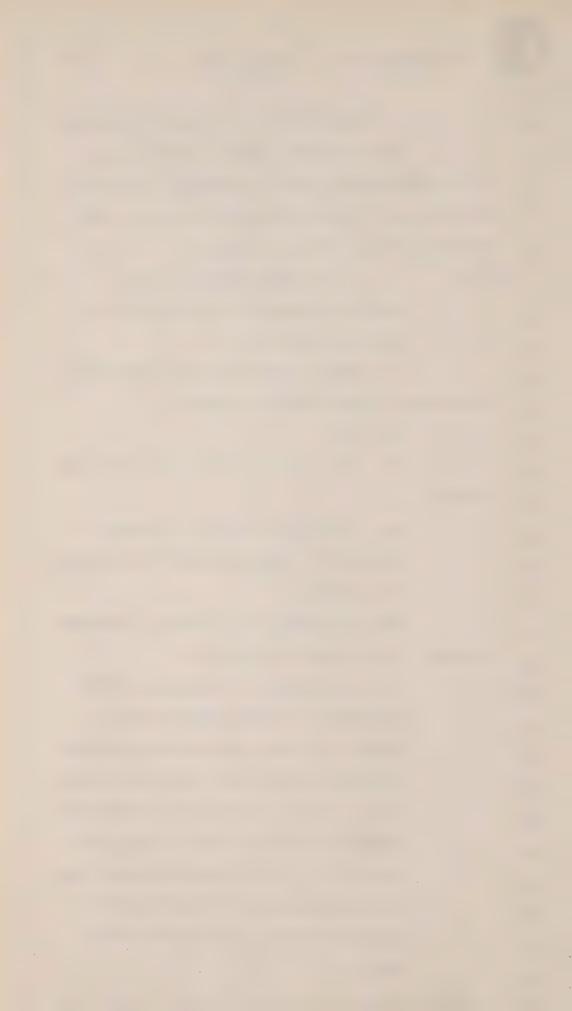
taken from our report..."

- Q. That is taken from your report entitled, "The Future of Steel Making in Sydney"?
  - A. Yes.
- Q. And I will have you go over that table later on.
  - A. "Of course, as Dosco's business increases its absolute freight disadvantage also increases."

This is a reason for considering a Montreal location -- the freight differential.

"In addition to its present freight disadvantage in the products it now produces, we have considered the additional disadvantage Dosco would have with respect to its competitors were it to produce flat-rolled products as it hopes to do in the near future. The freight difference over the 1962-1970 period for flat-rolled products produced in Sydney from Sydney steel...."

-- the reason we used 1960 was this was the first time



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background information available to us through previous steel studies in other parts of Canada.

- Q. And what did you attempt to do?
- A. We made a forecast of, first, the total Canadian market for steel. We next broke this down into products. We next attempted to determine as best we could what share of the Canadian market Dosco could obtain. I guess this perhaps answers your question.

THE CHAIRMAN: And did you project?

THE WITNESS: Yes, sir. We made annual projections from the period 1960 through 1970 for the market that Dosco, we felt, could obtain by products by geographical area.

THE CHAIRMAN: And what did these show?

THE WITNESS: These indicated that if Dosco

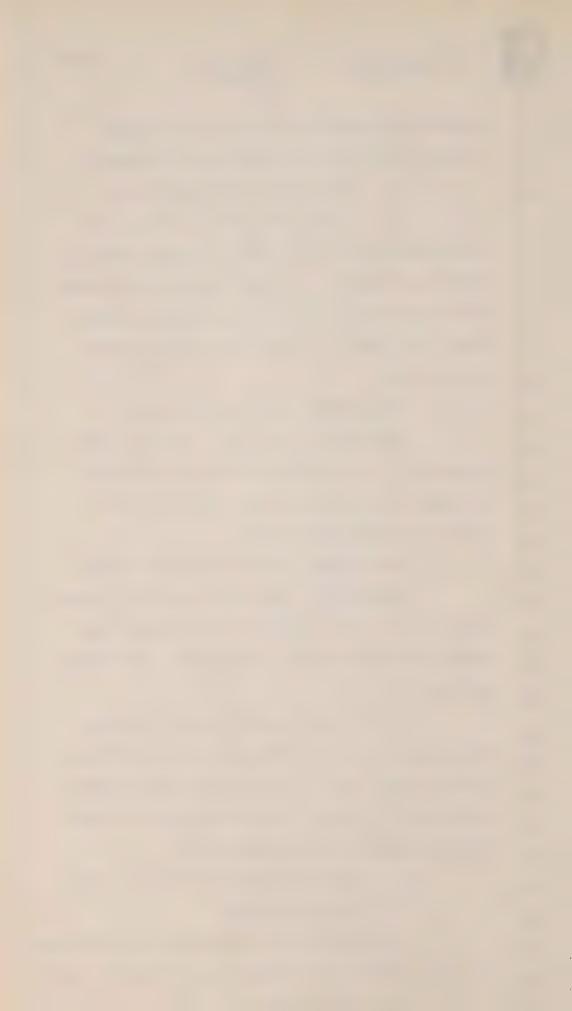
were to build a flat rolling mill in Montreal area

that we anticipated that they could sell the product

of this mill.

We indicated that the tonnages of steel that Dosco could sell over the next few years would increase gradually. Of the products they now make of flat rolled products, we felt these would become very important in Dosco's product mix.

- Q. And your forecast was for what period?
- A. 1960 through 1970.
- Q. And that was on the basis of a projection of Dosco's share of the growing Canadian market; was it
  - A. This is correct.



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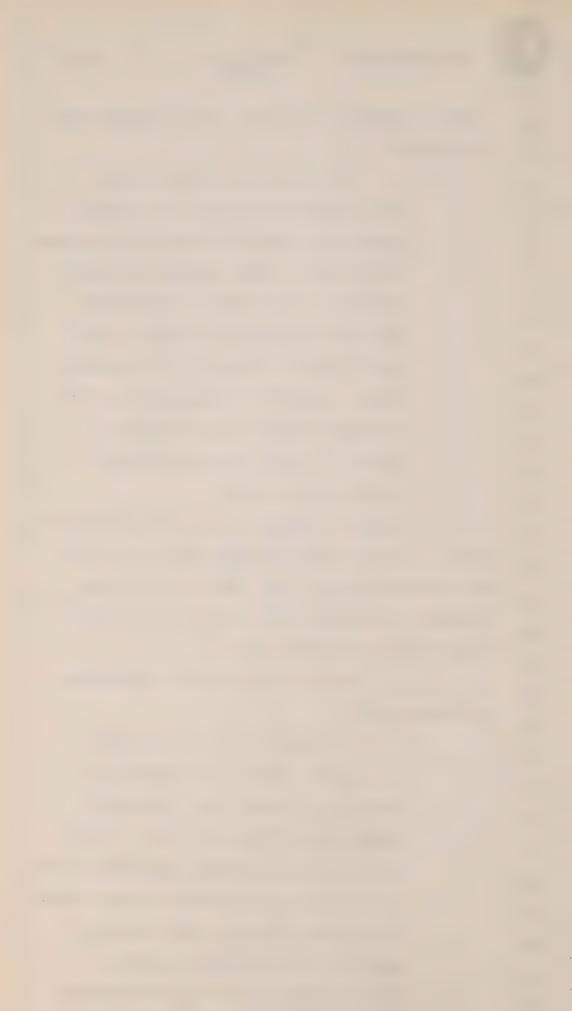
a mill if started in 1960 could possibly produce steel in Montreal.

> "The freight difference over the 1962-1970 period for flat-rolled products produced in Sydney from Sydney steel compared with the same products produced in Montreal from Sydney steel indicate an additional cumulative disadvantage of slightly more than \$40 million as shown on the attached table. In order to calculate this, we had to estimate freight rates in certain instances because there were no rates established at present."

We had to estimate a few, a very few freight rates, in order to determine what this flat rolling mill would have to pay since rates on flat-rolled products are not available from Montreal to all of Dosco's present marketing points.

- Where did you get your information as to freight rates?
  - We obtained it from the railways. A .

"Blooms supplied from Sydney to a flat-rolled products plant in Montreal would carry a freight cost of \$7 - \$9 per ton of flat-rolled product, depending on the location and yield. Therefore, even without basic steel at Montreal, the flat-rolled products plant in Montreal would cost Dosco in excess of \$5 million per year in



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freight on blooms by 1970. "

We understood in discussions with Dosco and the railways that a freight rate of approximately \$7.00 would be probably established on blooms. It takes about 1.2 to 1.3 tons of blooms to produce a ton of flat-rolled product, so that the freight content in the product is probably in the order of \$8.00 and some odd cents.

"Using the rail rates available to us, we have estimated Dosco's cumulative rail freight disadvantage on our market projections for the period 1960 -1970.

In the worst case, Sydney steel and upgrading versus Montreal steel and upgrading, this disadvantage amounted to about \$90 million cumulative.

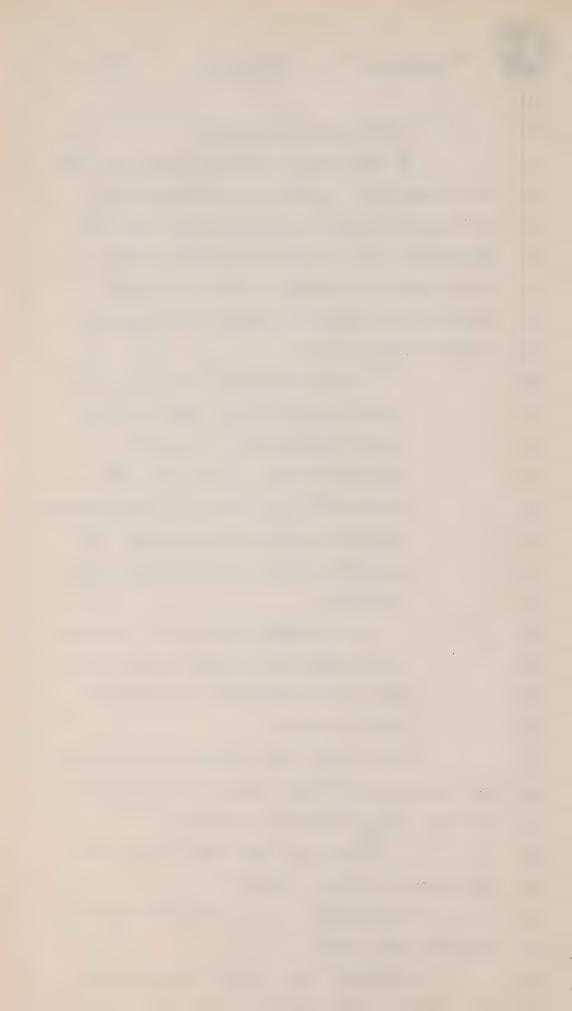
The substantial freight bill thatDosco
even now must pay is further argument for
moving fully integrated steel facilities
closer to market."

This we felt to be evidence to the effects that Dosco should and must consider a location for its steel making facilities in Montreal.

Q. Would you please refer to the table and explain this table? Table 9.

THE CHAIRMAN: You are asking that that be taken into the record?

MR. SMITH: Yes, I think I would ask that this table 9 be taken into the record.



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THE WITNESS: This is table 11, actually.

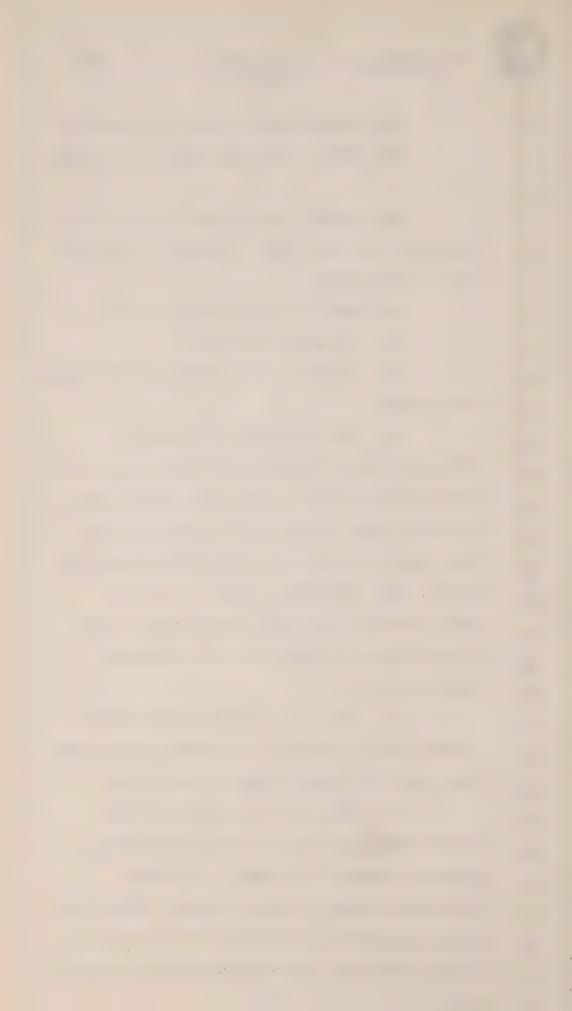
MR. SMITH: I beg your pardon. It is Table

THE WITNESS: This is simply a table from the report. The units here are dollars...I'm sorry, that is not on here.

MR. SMITH Q: All units are dollars?

- A. All units are dollars.
- Q. I notice in the second line the letters
  Ind. appear?
- A. The letters Ind. which are in asterisks indicate the individual charge in this case that would be applied to rails. The second column is the cumulative charge which at the end of the first year is the same, but if you wish to find out what the total difference in rails is, if you recum. It at the end of the time you come up with the total which is merely the sum of the first column across.
- Q. Would you just explain that table?

  I assume that the members of the Commission all have tables and I will supply these to counsel now.
- A. The table is a summation of the freight charges that would be paid by delivering products to markets from Sydney. It is the difference between that and the freight charges that would be incurred by delivering the same products to the same markets if they were produced in the Montrial area.



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		Q.	Would	you	just	explain	what	the	results
are,	Mr.	Pepper	<b>r</b> ?						

The results on the present product lines are listed in the section, sub-total, and over the eleven year period in question that amounted to \$48,870,000.00.

In addition, Dosco, if it were to proceed with this flat rolling mill and put this thing in Sydney would incur an additional \$43 million. Does this answer your question?

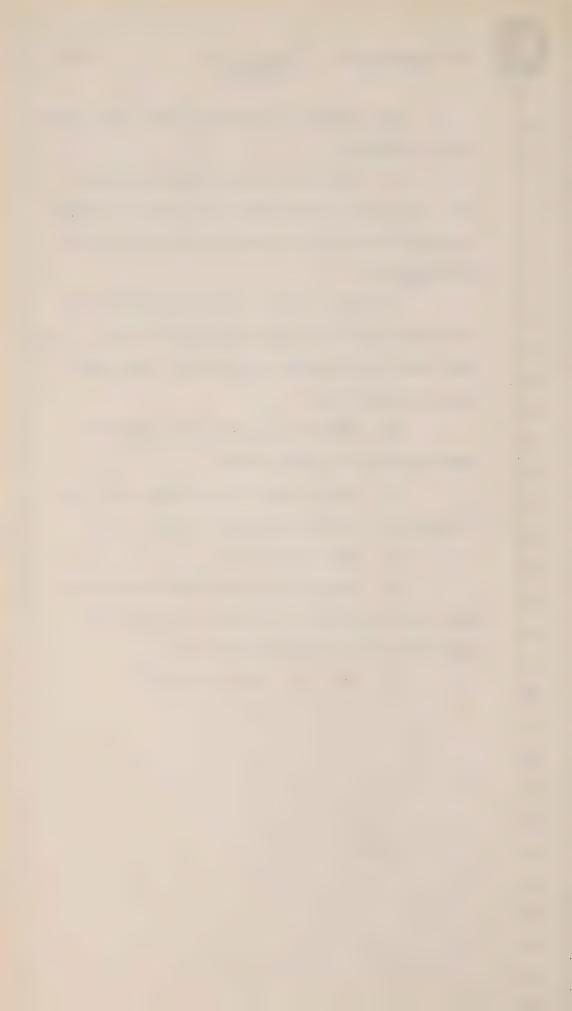
MR. SMITH: Well, I would ask that this table be taken into the record.

Q. Now, I take it, Mr. Pepper, that your findings are in the nature of estimates?

> This is correct. Α.

Based on your experience and on the data which you received and which you used in the preparation of your study and report?

Yes, sir. That is correct.



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- Q. Have you anything further to add by way of explanation, Mr. Pepper?
  - A. No, sir, not in the way of this.
- Q. Now, what conclusions did you draw?

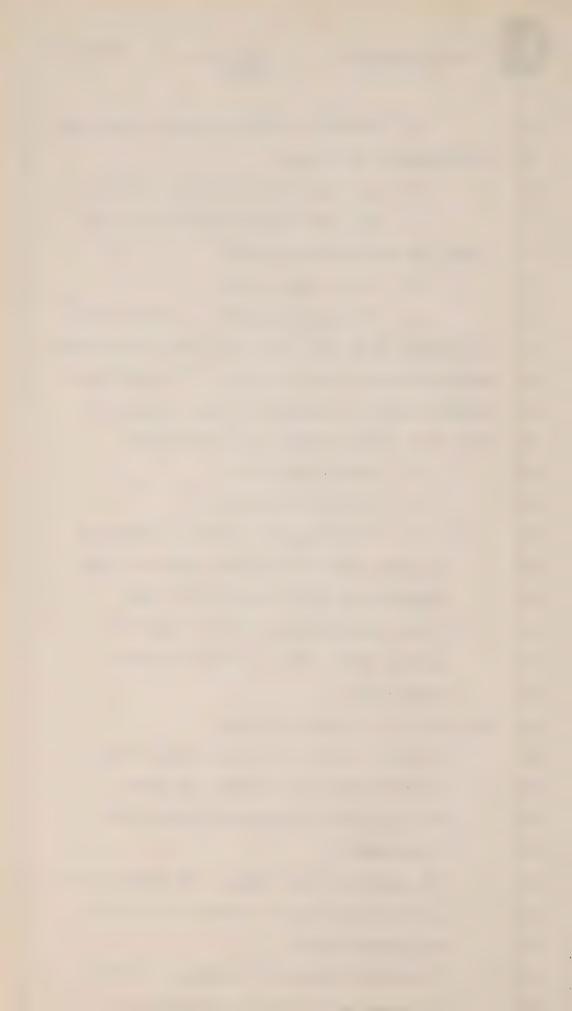
  I think you have some conclusions.
  - A. In our main report?
- Q. In your main report. I observe that in paragraph 84 of the Dosco brief there are certain conclusions taken from your report. Are those conclusions shown in paragraph 84, which perhaps you would read, taken verbatim from your report?
  - A. They appear to be.
  - Q. Would you read those?
  - A. "Our analysis of Dosco's position in the steel industry indicates that Dosco must expand beyond the present product line.
    "Steel manufacturing costs are about the same in Sydney and in a new mill close to major markets."

And that is in the Montreal area.

"However, because of freight charges in delivering flat-rolled products to market, the mill logically would be located close to the market.

"We anticipate that Sydney, with proper government support, will be expanded to its optimum economic level.

"To permit expansion of existing facilities at Sydney and to keep them operating as



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long as possible the government of Nova

Sootia should continue its fight to reduce

freight rates which now seriously penalize

Dosco in relation to its competition."

MR. SMITH: Thank you, Mr. Pepper.

THE CHAIRMAN: Mr. Frawley?

MR. FRAWLEY: No questions.

THE CHAIRMAN: Mr. Mauro?

MR. MAURO: No, no oross-examination.

THE CHAIRMAN: Mr. Brazier?

MR. BRAZIER: No questions.

THE CHAIRMAN: Mr. Carter?

MR. CARTER: I have no questions.

THE CHAIRMAN: Mr. Hume?

MR. HUME: No questions.

THE CHAIRMAN: Mr.Cooper?

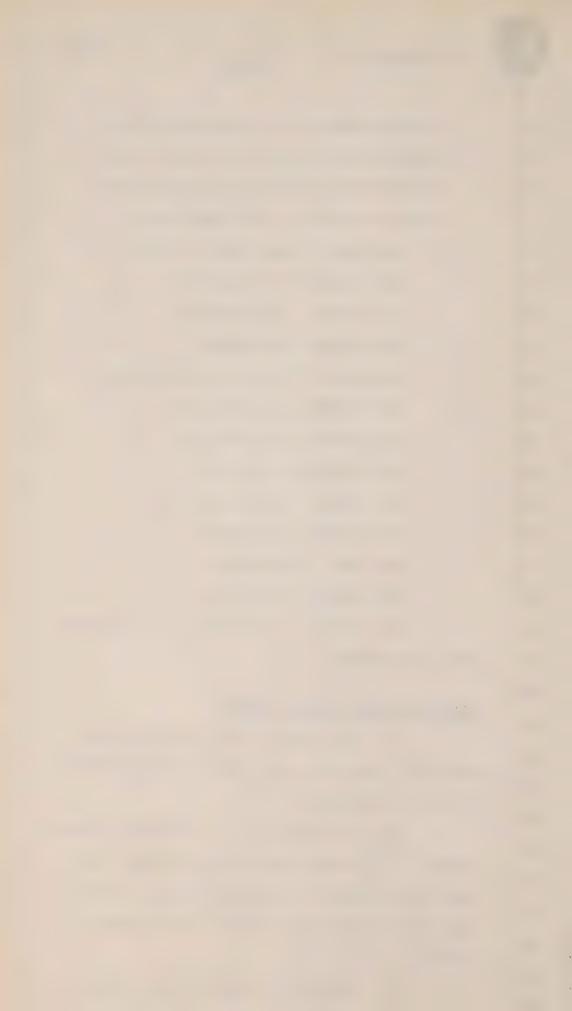
MR. COOPER: I just have one or two questions. Mr. Chairman.

## CROSS-EXAMINATION BY MR. COOPER:

Q. Mr. Pepper, I don't think you have put on the record what your position is with Arthur D. Little Incorporated?

A. I am sorry, sir. I am what is called a Senior Staff Member and a Section Leader, and I was Project Director of the project which resulted in this report called "The Future of Steel Making in Sydney."

Q. You were in charge of this study, in other words?



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Yes, sir.

Α.

- Q. And in the course of your study did you give any consideration at all to the possible movement of steel from Sydney to the projected new plant at Contrecoeur by water?
  - A. Yes, sir, we did.
  - Q. What conclusions did you come to?
- A. It was our opinion that this would be dependent upon several things. That is, it would be dependent upon the physical location of the mill in the Montreal area and the cost of transferring the slabs from the ship, if you will, into the plant. If it is on the St. Lawrence with docking facilities, that is one thing; if it is two or three miles inland, that would be another thing. Our conclusion was that in general the cost of loading in Sydney and shipping them to Montreal and unloading them in the Montreal area would probably not be a great deal less than the \$7 rate that is quoted. That is why we gave that range, and I think these could be shipped if one considered the additional cost of inventorying material in the Montreal area.
  - Q. Did you get any actual water rates?
  - A. Yes, we did.
  - Q. From where did you obtain those rates?
- A. We obtained water rates by talking to charter people, we also obtained water rates from our own files based upon what water rates were covering similar distances in other parts of the world and



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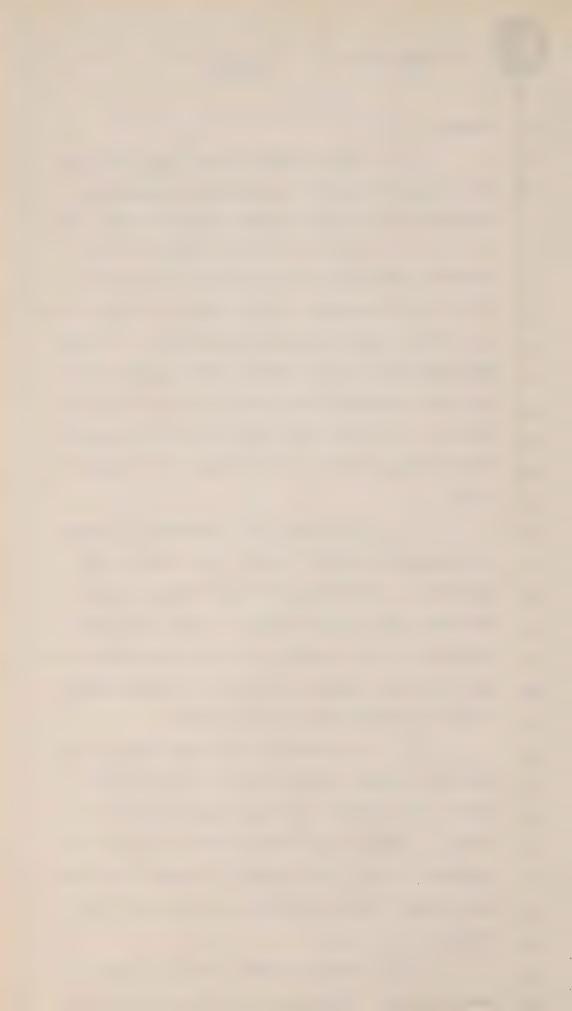
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Canada.

Q. In the course of your study what consideration, if any, did you give to a possible expansion of Dosco's export market for its Sydning plants

A. We gave some consideration to this. We were of the opinion that the export market at the time, about a year ago, and we would still hold to the same opinion today, was highly competitive. We felt that Dosco was able to compete in the export market at a level which would not permit it to make any real profit. We believe they could operate in the export market and pay their way, but it would not be profitable.

- Q. If a significant proportion of output at Sydney were diverted to the export markets, or were sold in countries other than Canada, I assume that this would go some distance towards supporting additional steel facilities at Sydney, and perhaps make the difference between the decision to expand Sydney or not to expand Sydney in basic steel?
- A. Our opinion was that there was not much room for expansion at Sydney on an economic basis. 1 believe the capacity there approaches a million tons Upon visiting the plant and looking at the equipment, we felt that expansion of about 20 per sent was all that would be economical under present conditions.
- Q. Perhaps you have already anywered my next question. I was going to refer you to page 39,



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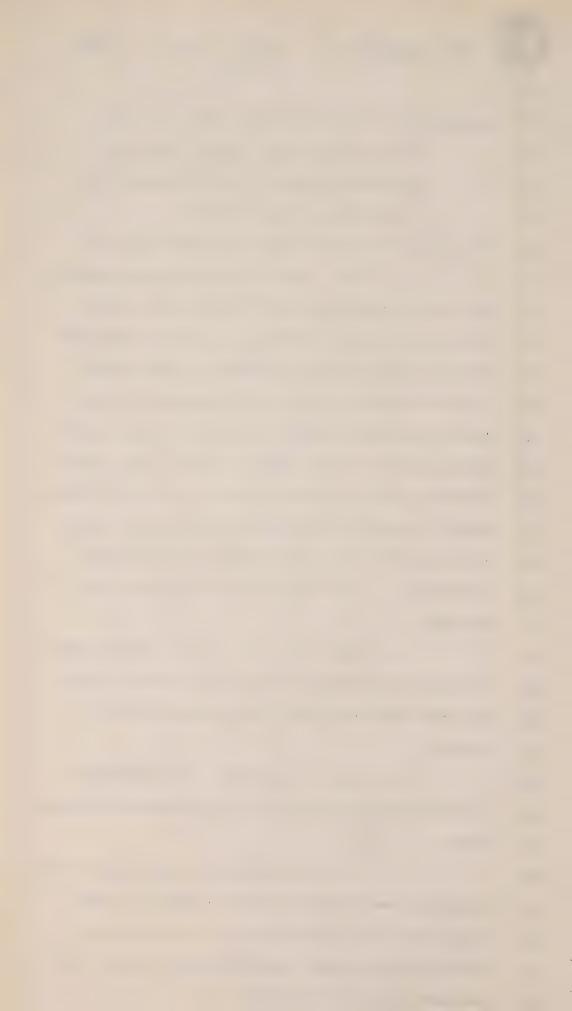
paragraph 84, of the Dosco brief, where it says:

"We anticipate that Sydney, with proper government support, will be expanded to its optimum economic level."

Would you just expand on that and comment upon it?

A. Yes. We felt that its optimum economic level was of the order of 1.2 million tons a year, ingot tons I am now referring to. We felt that this could be obtained by the government of Nova Scotia — we are referring here to the government of Nova Scotia, not the government of Canada: they could do something about freight rates, possibly, they could do something about local taxes, possibly, to enable these people to operate less expensively and produce steel at a lower cost than they do today, which would be beneficial. I don't know if I have answered your question.

- Q. Thank you. Mr. Pepper, when you were referring to expanding to the optimum economic level, you meant additional facilities being erected at Sydney?
- A. This is a question of the additional facilities and modernizing facilities which are already there.
- Q. It is anticipated, is it, or have I misunderstood the evidence, that as a result of your study additional facilities will be now errorted at Sydney to supply what I would call basic ersel to the projected plant at Contrecoeur?



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A. That is Dosco's question to answer, not

Q. Your recommendation in that regard is that additional steel facilities ---

A. No, we didn't make a recommendation; we made an economic analysis. Our analysis, if it is correct -- and we think it is -- would lead one to believe that the first thing that Dosco would do, if they were to put a flat-rolling mill in the Montreal area, would be to expand ---

interrupt Mr. Cooper. From my reading of the report it seemed to me that your conclusions arrived at this: increase capacity by incremental investment at Sydney?

THE WITNESS: Correct.

commissioner mann: And then there comes a point where, having a flat-rolling mill at Contrecoeur, you would be faced with additional construction of basic steel facilities to supply the growing demands of that flat-rolling mill in the Montreal area?

THE WITNESS: Correct.

COMMISSIONER MANN: At that point it was my understanding that your report said that all things being equal it would be cheaper to put the basic steel facilities into Contrecoeur than Sydney. Is that right?

THE WITNESS: That is correct.

MR. COOPER: Q. The last paragraph of Dosco's paragraph 84 reads:



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"To permit expansion of existing facilities at Sydney and to keep them operating as long as possible the Government of Nava Scotia should continue its fight to reduce freight rates which now seriously penalize Dosco in relation to its competition."

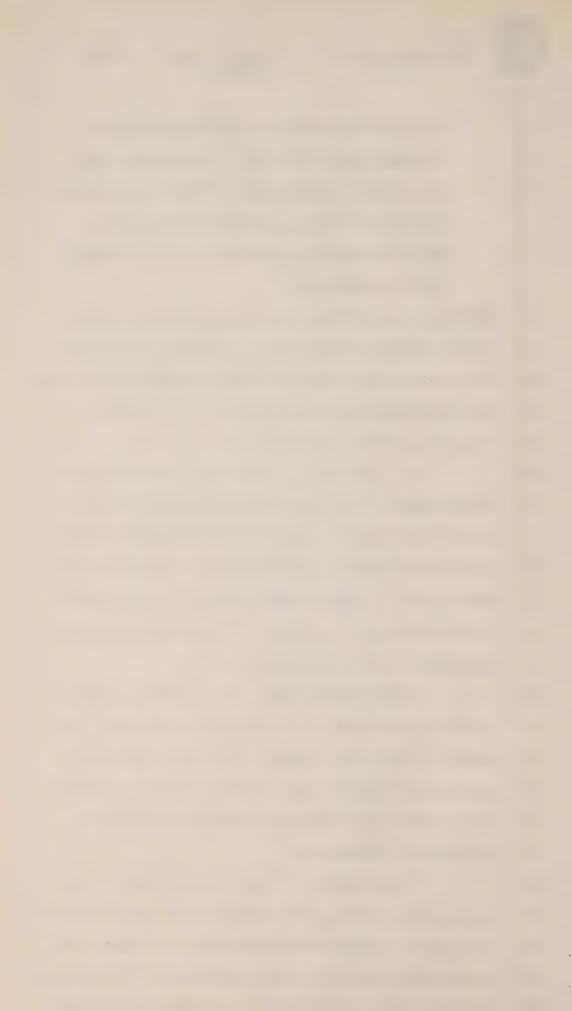
(Cooper)

The word "primary" was inserted by yourself in your direct evidence a moment ago. I should like, if you will, to have some coment on that paragraph which I have read and particularly with respect to the phrase "operating as long as possible".

Yes. sir. There is a distinct possi-Α. bility that if -- at least in our opinion there is -that if Dosco were to build basic steel-making facilities in the Montreal area initially to supply a flatrolling mill it might be more economical in a period of time for them to continue to expand this operation and gradually shut down Sydney.

COMMISSIONER MANN: Am I right, Mr. Pepper, in recollecting that the eventual shut-down date, the period of degrading Sydney, using that word in its non-offensive sense, would be fifteen years, roughly, and by that time Sydney would operate at an ingot capacity of 300,000 tons?

THE WITNESS: I don't recall that, no, sir. We said that as far as we were conserned Sydney would, in our opinion, operate for fifteen years, but that once steel-making facilities were established in the Montreal area Sydney would then become an incremental producer



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which would take up the difference in demand, became the facilities in Montreal would be required to gener to cash and those in Sydney would not be depreciated and this would not be their problem.

THE CHAIRMAN: What would happen to Sydney?

THE WITNESS: Our opinion is that Sydney
would, in time, probably close down, but this may be
ahead of fifteen years. This is pure speculation.

MR. COOPER: I have no further questions.

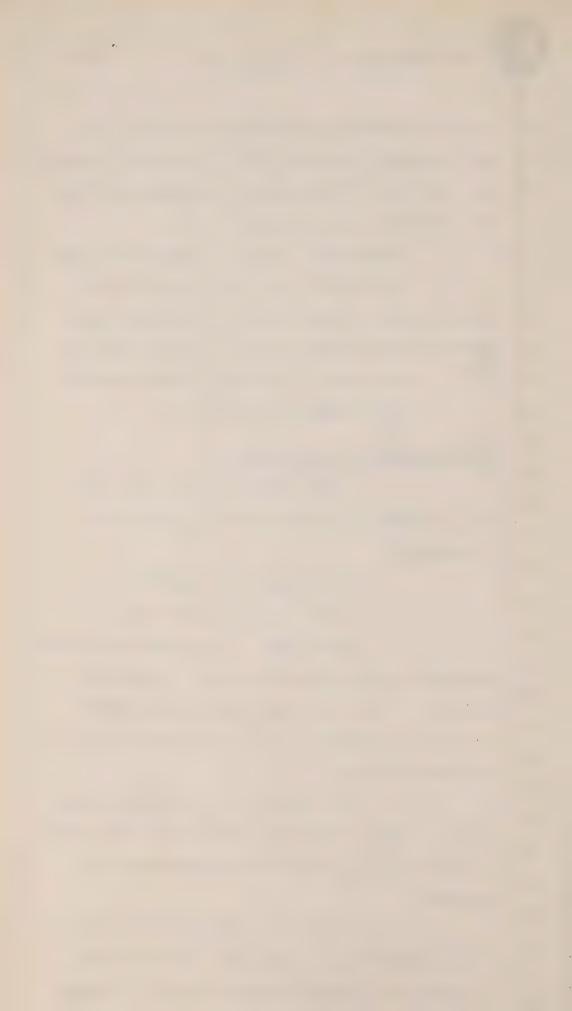
THE CHAIRMAN: Mr. McDonald?

# CROSS-EXAMINATIVE SE ME. MCDONATE:

- Q. So that I may be clear on this, has

  Dosco acquired the property for this new plant at

  Contreceeur
  - A. I can't answer that question.
  - Q. It isn't an accomplished fact?
- A. I don't know. It was announced in the newspaper and the government asked us to undertake a survey. As far as I know, they have not started to build a rolling mill. At least I have not seen it announced publicly.
- Q. And in taking into consideration your roudy of these resight costs, sid you also make a stury of what it would cost to bring raw materials into Montreal?
- A. We did. Our opinion was that the cost of raw materials for a steel mill built in Montreal would be approximately the same as it was in Sydney,



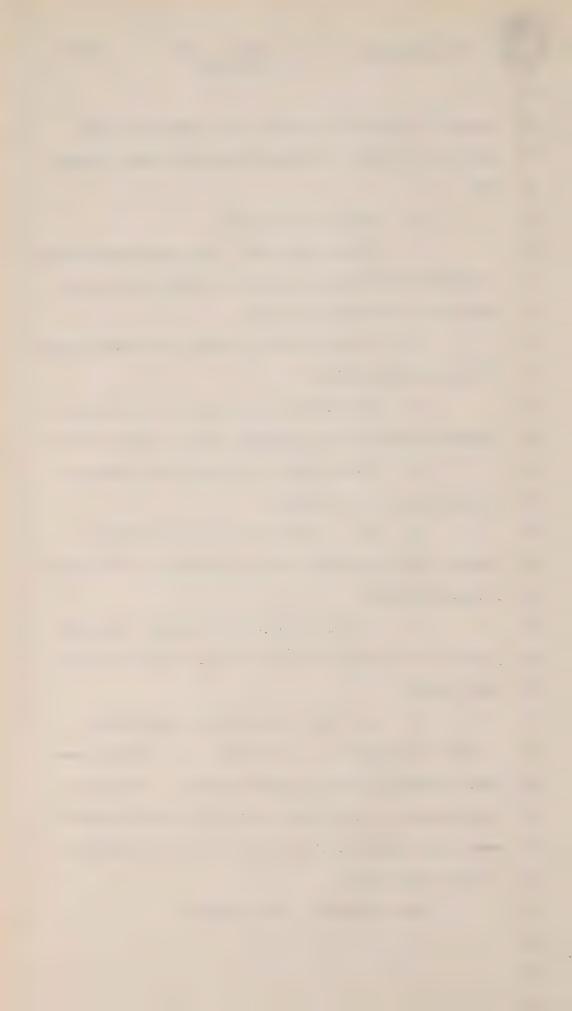
because if one were to build a mill today one would not build it based on the same technology that Sydney was.

- Q. Would coal be used?
- A. Not as much coal. We would use possibly an oxygen steel-making process; you might use electric power as a substitute for coal.
- Q. I think at the present time Dosco obtains its ore in Newfoundland?
- A. They obtain approximately half their ore in Newfoundland and approximately half at Seven Islands.
- Q. Would there be any additional cost in transporting the ore there?
- A. No. The cost from Seven Islands to

  Montreal would be almost exactly the same as from Seven

  Islands to Sydney.
- Q. In your study of the freight rates did you find the railway rates to be competitive with the water rates?
- A. We didn't say they were competitive, in that one instance we were asked. We said they were based on the \$7 per ton suggested rate. We felt it was reasonably competitive; unless the mill was located where you could just pick it out of the boat and drop it into the furnaces.

THE CHAIRMAN: Mr. Sinclair?



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- Q. Mr. Pepper, in making your study and the position of Dosco in the Montrel market did you give any consideration to Algoma Steel Company at Sault Ste. Marie and the effect of transportation on that company as against an integrated steel operation at Montreal?
- A. No. We considered Algoma's position in the Montreal market and in the central Canadian market in attempting to estimate what Dosco's share of this market was.
- Q. Did you develop it to the fact that there is a disadvantage on water shipments from Algoma to Montreal as compared with from Sydney to Montreal?
  - A. No.
- Q. And do you feel that an integrated steel plant in Montreal would adversely affect the competitive position of Algoma?
  - A. We didn't consider it.
  - Q. I am asking you if you would do it now?
  - A. I can't answer the question.
- Q. The only other point is this, Mr. Pepper.

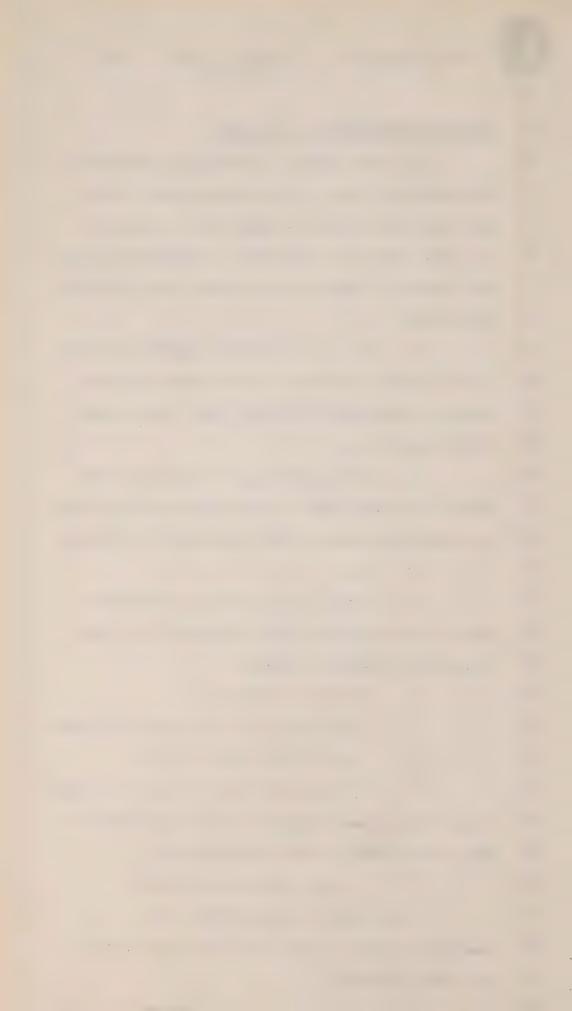
  If you look at the paragraph of your conclusions, I

  want to know what you meant when you said:
  - " . . . Nova Scotia should continue

its fight to reduce freight rates . . ."

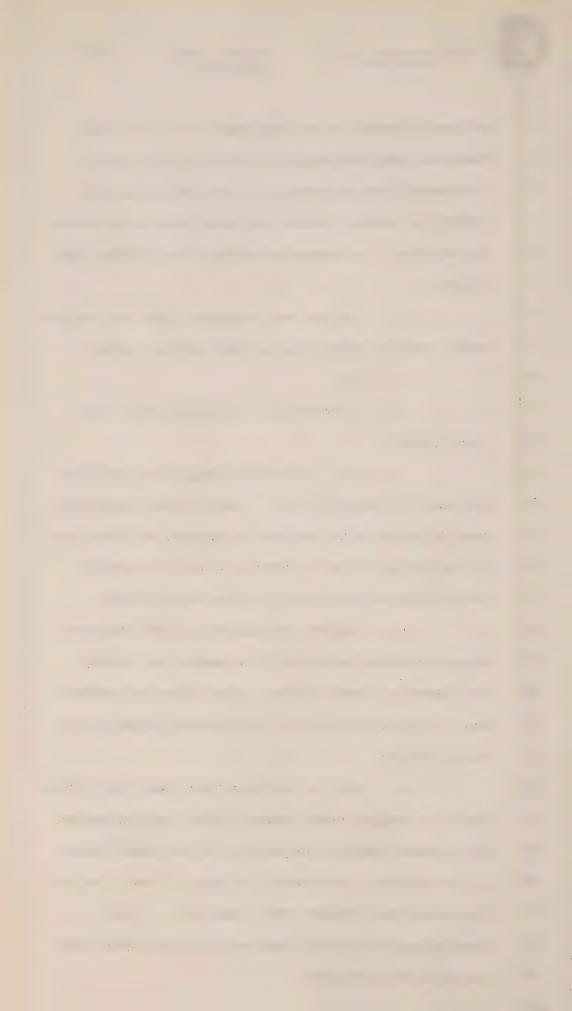
What did you mean by that and on what basis did you make that statement?

A. We made the statement on the basis that



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tha	t th	ey	had h	een	making	g effo	rts t	o obt	ain :	more	
fav	oura	ble	fre	lght	rates	for s	teel	shipm	ents	from	ì
Sydi	ney	to	centi	ral	Canada	than	there	were	in	exist	ence
at 1	the	tim	e.	We	recomme	ended	that	they	cont	inue	the
eff	orts										

- Q. You are not suggesting that the freight rates were not reasonable in the light of costs?
  - A. No.
- Q. Or there was any justification for lower rates?
- A. No. We are not suggesting these on the basis of costs at all. We are just suggesting that if Dosco is to continue to operate at Sydney one of the things it has to have is a more favourable rate structure in relation to its competition.
- Q. You are not suggesting that the rate structure might necessarily be changed but merely the impact on that industry, which might be another way of saying subventions to the steel industry; is that correct?
- A. What we said was this, that the differences in freight rates between Sydney and the market and between Sydney's competitors in the market were, in our opinion, detrimental to Dosco. Now, I am not discussing the freight rate structure. I know nothing about it other than the published rates with which we were provided.



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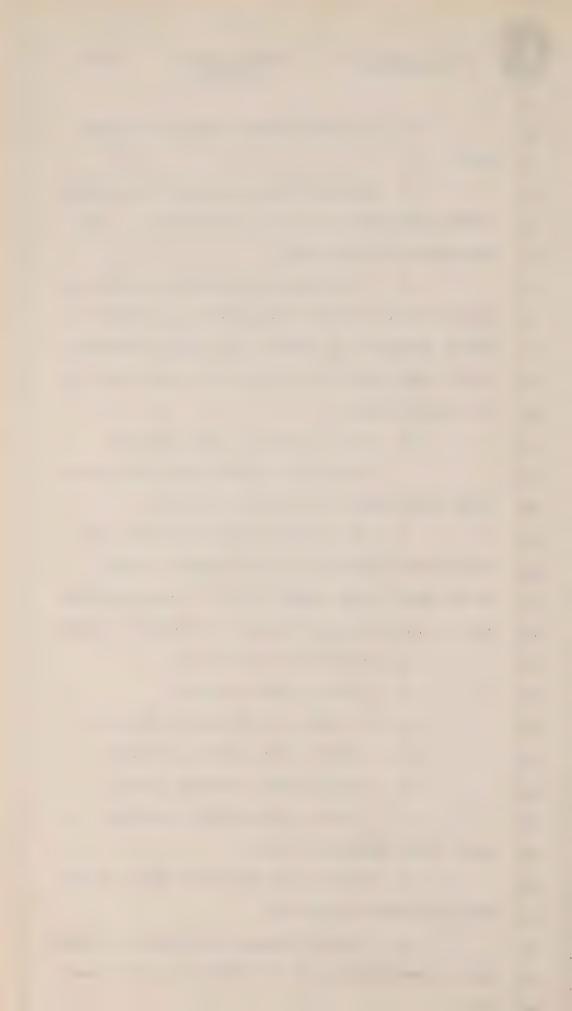
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- Q. In that were you looking at a sheet
- A. We were looking into both the existing product line and the hot and cold flat roll mill which Dosco had mentioned.
- Q. I am asking you specifically this one question arising out of your answer: in regard to Algoma production as against Contrecoeur production, of the sheet mill that was projected, would there be that disadvantage?
  - A. Would you repeat that question?
- Q. Algoma sheet in Montreal versus Dosco sheet in Montreal, with blooms, and so on?
- A. Our opinion was that there was, one,
  very little Algoma sheet in the Montreal market.

  On the basis of our market survey, we concluded they
  were a relatively small factor in the Montreal market.
  - Q. Where did it come from?
  - A. From our market survey.
  - Q. No, where did the sheet come from?
  - A. Primarily from Defasco and Dosco.
  - Q. And you didn't find any Algoma?
- A. I didn't say we didn't find any. I said it was relatively small.
- Q. When you say relatively small, do you mean less than 25 per cent?
- A. I do not remember the numbers. I would say, in recollection, it was considerably less than this.





	Q.	But	in re	gard	to yo	our a	analy	sis,	and
even if	it is	less	than,	say,	, 20 p	er (	cent,	woul	d you
say	can y	ou rec	ollec	t or	look	it 1	ip an	d see	whether
Dosco un	derbi	llets	and bl	ooms	from	Syd	ney,	and r	olled
at Montr	eal,	would	be at	a di	lsadva	inta	ge or	an	
<b>advanta</b> g	e ove	r Algo	ma?						

A. I can't answer that question.

MR. SINCLAIR: Thank you, Mr. Pepper.

## ---RE-EXAMINATION BY MR. SMITH:

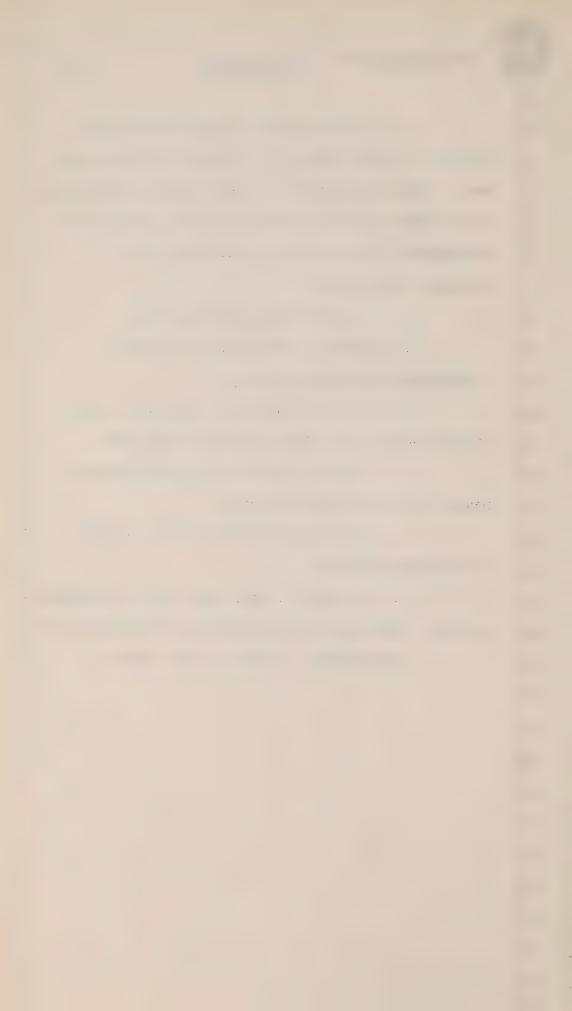
ANGUS, STONEHOUSE & CO. LTD.

Q. Just one question: that rate of \$7.00 to \$9.00 a ton: was that net ton or gross ton?

A. Net ton, but this is in the finished product, not in the raw material.

Q. But you know what I mean -- net ton as against gross ton?

A. A 2,000 lb. ton; this is in the finished product. This would be in 2,000 lbs. of finished sheet. THE CHAIRMAN: Thank you, Mr. Pepper.



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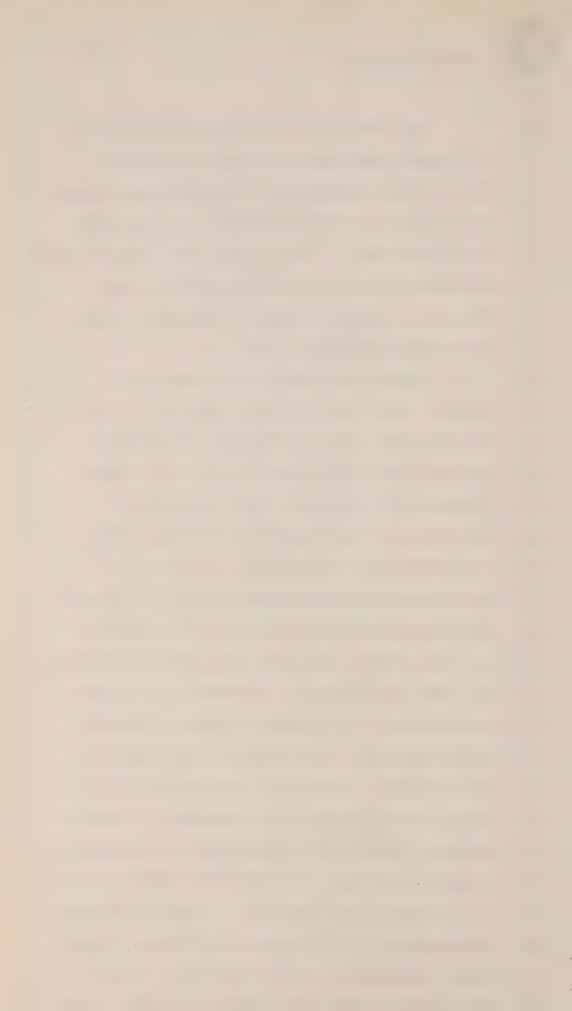
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MR. MAURO: Mr. Chairman, I understand that in my absence this morning my learned friends Mr. Sinclair and Mr. McDonald had a matter to place before the Commission, and I want first of all to apologize for not being here. At the time I was 150 feet along the platform trying to see whether our briefs had arrived by air express. They were apparently shipped from Winnipeg yesterday afternoon.

I feel, on behalf of the province, Mr. Chairman -- and I am very serious about this -- I am personally just a little bit shocked at the general disrespect paid by my railway friends to the efforts of the province of Manitoba from the beginning of this Commission; that as far as my railway friends are concerned our function here is somewhat as a poor relation and that anything we might do that would delay the presentation of their case is manifestly absurd and unfair. This Commission startedin September, 1959. The delay from May to September, I trust, was not occasioned by the province of Manitoba, and from September the 17th, when we had our first meeting, until we started receiving the first briefs of our railway friends touching upon submissions by the two presidents, their traffic officers and cost witnesses, we worked inthat six weeks on the presentation of our regional submissions in Winnipeg. From the beginning of the hearings until Christmas time it was my learned friends' witnesses who took all the time, nor were they required to put their evidence in as read. Their



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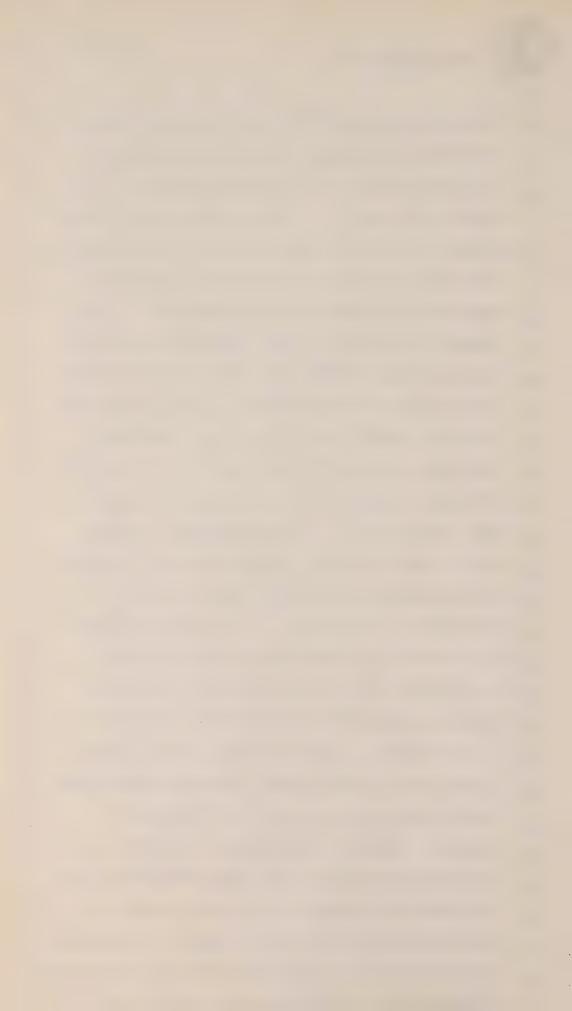
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presidents were permitted to read every word, while in Winnipeg the Minister of Industry and Commerce. a minister of the Crown, was required to put his evidence in as read. Since the beginning of these hearings up until the present time the complete time of this Commission outside of three days in Winnipeg has been taken by the evidence of the railways. I am extremely apologetic that this Commission has asked me to have my brief in at a given time and I have failed, and I apologize to this Commission, and a few days ago I told my learned friend Mr. Sinclair I was deeply sorry about it and all I could say to him was that he should not be penalized because of my shortcoming. There are three of us -- Mr. Trachtenberg, Stechisin and I -- who have worked consistently since I completed my cross-examination of Ford K. Edwards, on the presentation of this brief. I said to Mr. Sinclair the evidence being presented will be presented by Mr. Stechisin. He is available, and if, due to my failing in giving you proper notice of this brief, and you suffer as a result thereof, we will stand him down and my learned friends can cross-examine when they feel they have had ample time to study the material. As far as the Province of Manitoba is concerned, for eighteen months these individuals have done nothing but attempt to facilitate the work of this Commission by helping, as I thought, in the crossexamination of the cost witnesses and in the presentation of material tied in with the matters before this



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Commission.

THE CHAIRMAN: In view of our rulings, the Commission is very much embarrassed.

MR. SINCLATE: Of course, Mr. Chairman, I must say this: it is too bad my friend was not here because whatever disability his being late may cause to me is one thing. That is not important. However, what is important is that his delay, after a three month adjournment of this Commission throughout the summer is a matter of real prejudice to the revenue position of the railways. Now, that was a point I made this morning, and I say it is about time this Commission said to these people, "Abide by the rulings of this Commission or get out."

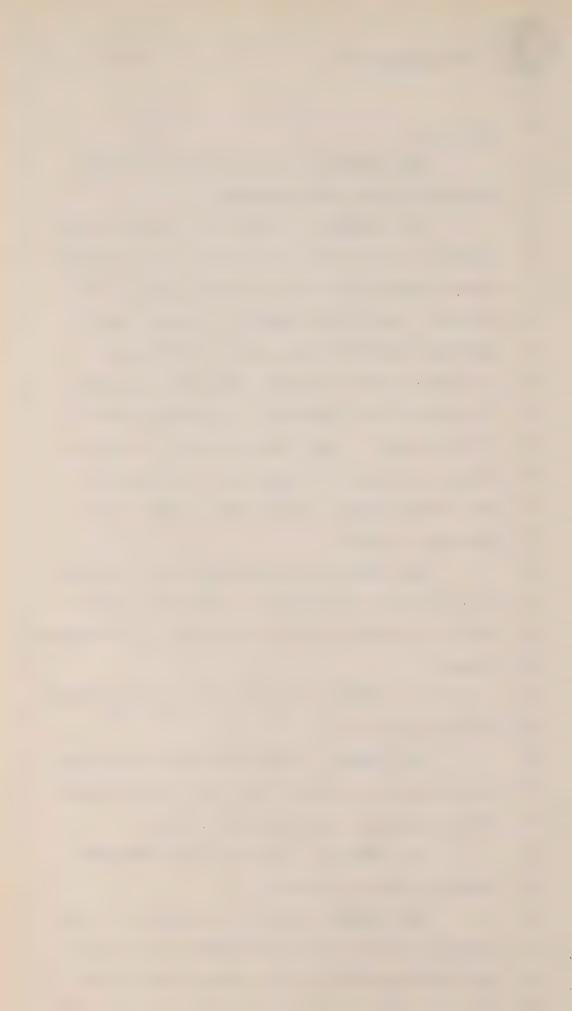
MR. MAURO: That is just about the good sound reasoning power of the C.P.R. -- that if you don't abide by our rules get out of the country -- do whatever you want.

MR. SINCLAIR: Well, the Commission represents the Crown and the law.

MR. FRAWLEY: That is big talk by the C.P.R. to the Province of Alberta, and I will ask Mr. Manning whether he prefers that he gets out or not.

MR. SINGLAIR: The rules of the Commission cannot be flouted by Alberta.

MR. FRAWLEY: There is no intention to flout anything. We have listened for months and months to Crow's Nest grain which is not even written into the terms of reference. Now I am at the moment attempting



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to write on other aspects of the matter to find out what is wrong with the freight rate structure, other than grain, and my friend now says, "Rush on. My revenues are being lost."

THE CHAIRMAN: We are getting on with the job.

MR. SINCLAIR: Of course, when a person is

prejudiced by a ruling that is not being lived up to,

he has a right to bring it to the Commission.

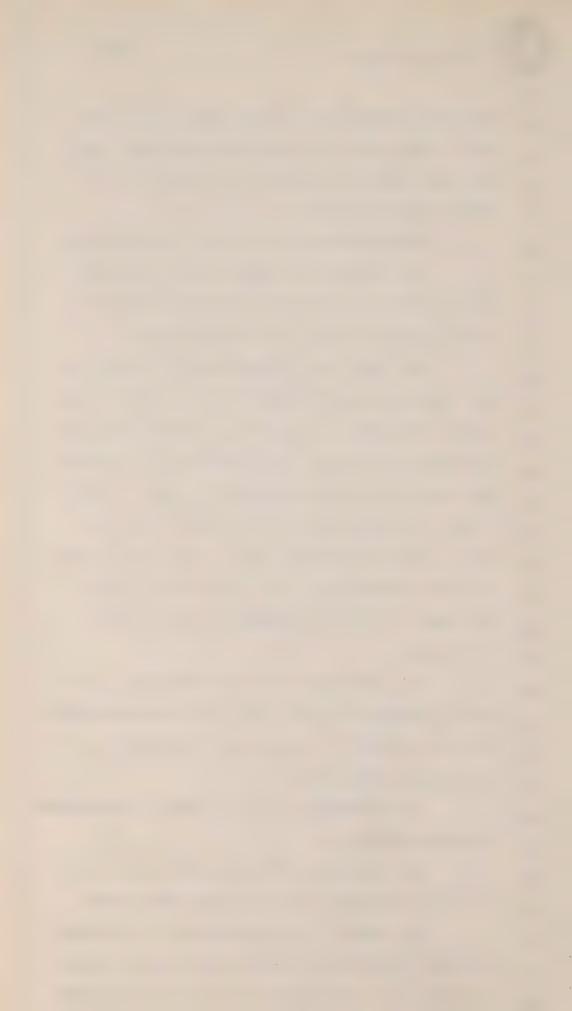
MR. MAURO: My learned friend is correct in that. He is absolutely correct and I do not blame him. I said to him that in any court of law where the other side can state they have been prejudiced by the other side then he is either recompensed in costs — which I trust my learned friend is not asking for in this case — or he is given more time. If I haven't given my learned friend ample time, Manitoba will suffer the expense of that by retaining Mr. Stechisin at our expense.

MR. SINCLAIR: That is not the point. It is not the prejudice to myself that I am complaining about. It is the prejudice of the company I represent in its revenues being frozen.

THE CHAIRMAN: We have to think of the prejudice to the Commission too.

MR. SINCLAIR: Well, the Commission is not only being prejudiced, but it is being embarrassed.

MR. MAURO: Our freight shippers in Manitoba are being embarrassed as long as the freight structure is frozen too. We have got a little prejudice there





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too.

THE CHAIRMAN: Well we will adjourn now

until 2:00 o"clock.

---Luncheon adjournment.





--- On resuming at 2.00 p.m.

is something I should like to file.

THE CHAIRMAN: Order, please. Mr. Carter?

MR. CARTER: Mr. Chairman and members of

the Commission, before opening my client's case, there

THE CHAIRMAN: Before you open, I realize that you have quite a delegation and that they are some distance from home, as I am myself. I am suggesting that save you and to save us and make time that we sit tomorrow, if that is agreeable to you.

MR. CARTER: Yes, Mr. Chairman. My delegation will be happy to attend the sittings tomorrow.

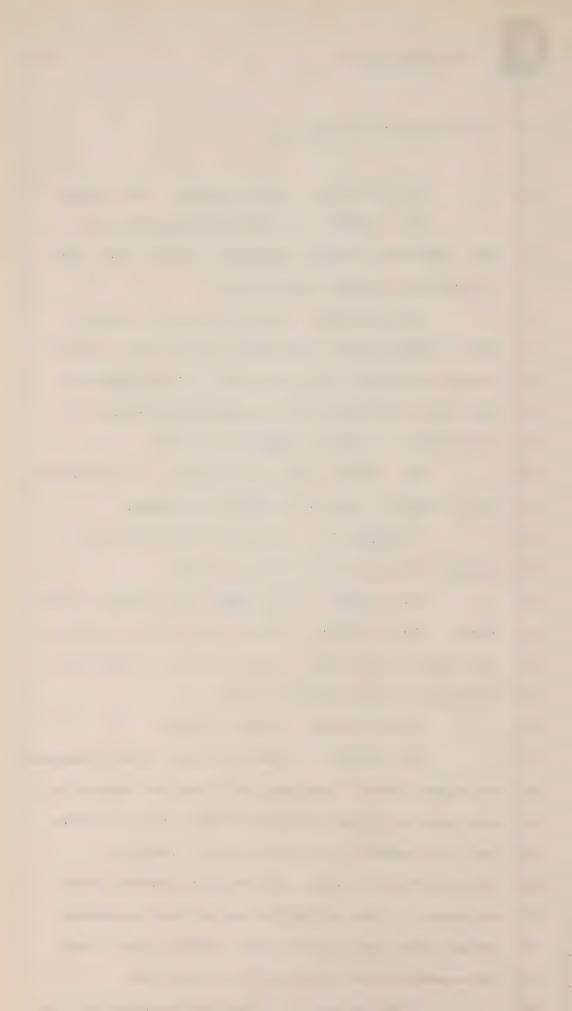
THE CHAIRMAN: Now, what hours would you suggest, nine to twelve or ten to twelve?

MR. CARTER: Well, again, sir, we are in your hands. Nine to twelve, I think, would fit in with us very well, in the event it was convenient to you, your colleagues and my learned friends.

THE CHAIRMAN: We will do that.

MR. CARTER: At the sittings of your Commission at Regina, certain questions, as I read the transcript, were asked of certain witnesses there: three questions, one by my learned friend Mr. Sinclair, one by my learned friend Mr. Hume, and one by my learned friend Mr. Hume, and one by my learned friend Mr. Mauro. The information was not then available. It has since been assembled, Mr. Chairman, and I have the answers to the questions to be filed now.

I am advised, sir, that when anything is filed



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here it must be done with twenty-five copies, and I have that number here. I do not know what the exhibit number may be. I have additional copies of these for my learned friends. I believe, however, that my learned friends were earlier advised by mail of the answers to those questions.

MR. CUMMING: Rather than make them an exhibit, perhaps, consistent with the practice followed, they can be taken into the record.

MR. CARTER: Yes, I would certainly ask that they be taken into the record as read.

## ANSWERS TO QUESTIONS ASKED AT REGINA HEARING

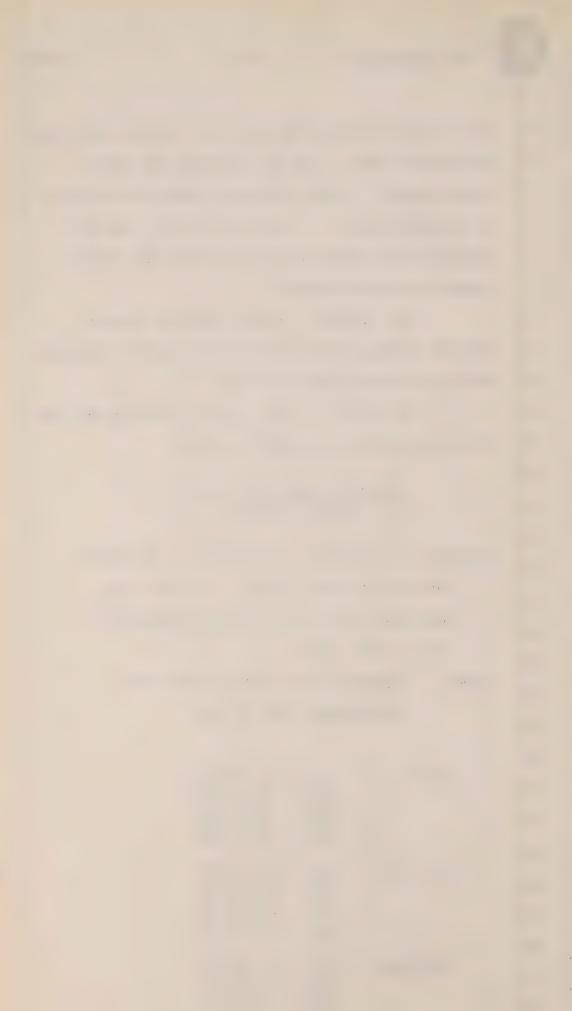
Question 1, Page 5076 -- Mr. Sinclair - the amount expended on roads, federal, provincial and municipal, both capital and maintenance for three or five years.

Answer: Highway and Rural Road Expenditure, Saskatchewan, 1954 to 1958

Todorare	~ //	7 3 3
	1.955	- 2,167,047
	1956	- 2,531,073
	1957	- 2,180,698
	1958	- 2,175,564
Provincial	1954	-\$19,263,878
		- 19,669,894
		- 24,193,227
		- 23,744,196
		- 29,434,148
Municipal	1954	- \$8,722,950
1.1001777 O m b m m		- 9,494,252
		- 12,894,743
		- 15,411,896
	1957	- 1794119090

1958 - 14,973,806

Federal: 1954 - \$2.164,426



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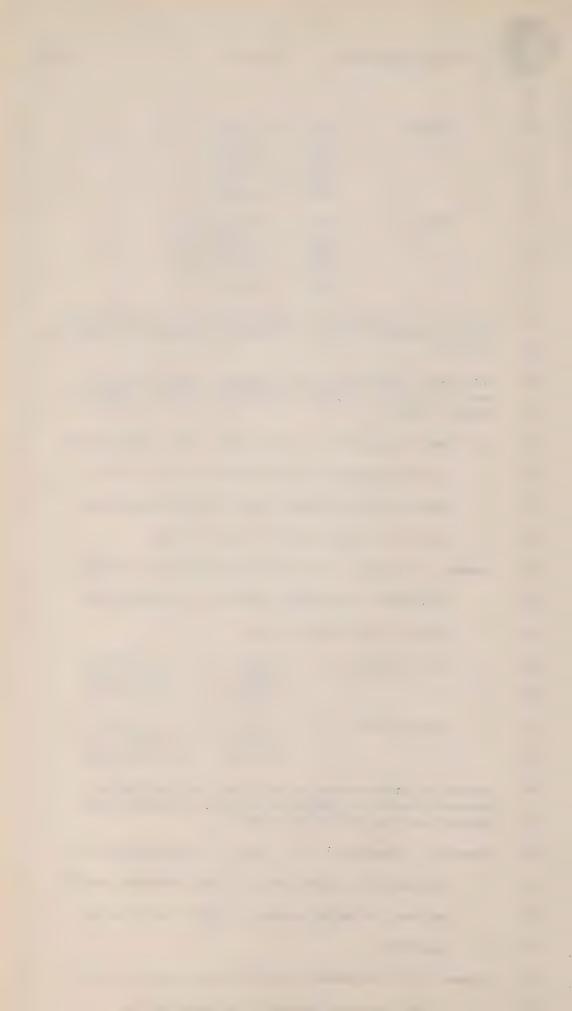
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taxation.

	ANGUS, STONEHOUSE & CO. LTD. Carter 14937
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2	Others 1954 - \$ 8,185
3	1955 - 17,783 1956 - 65,916 1957 - 174,908
4	1958 - 33,949
5	Total 1954 - \$30,159,439 1955 - 31,348,976
6	1956 - 39,684,959 1957 - 41,511,698
7	1958 - 46,617,467
8	Source of information Data for 1954 to 1957 taken from "Highway Statistics (Dominion Bureau of Statistics Ottawa).
10	Data for 1958 taken from "Road and Street Mileage and Expenditure, 1958" (Dominion Bureau of Statistics,
11	Ottawa, 1960).
12	Question 2, page 5077 Mr. Hume - the contribution
13	to the highway maintenance and costs by the
14	various users in this province provided these
15	figures are available in the records.
16	Answer: Revenue received by Saskatchewan Treasury
17	Department from Motor Vehicles (Licences and
18	Permits) and Gasoline Tax.
19	Motor Vehicles 1956-7 - \$ 5,516,703.39 1957-8 - \$ 6,601,886.64
20	1958-9 - \$ 6,997,816.65
21	Gasoline Tax 1956-7 - \$ 16,221,616.58 1957-8 - \$ 18,944,253.09
22	1958-9 - \$ 19,924,190.32
23	Source of information supplied by Director of Revenue, Taxation Franck of Treasury Department as
24	taken from the Public Accounts.
25	Question - Page 5078 - Mr. Mauro - information as to
26	the amount of land owned by the Canadian Pacific

Answer - The estimated total assessed value of all C.P.R. property exempt from taxation in

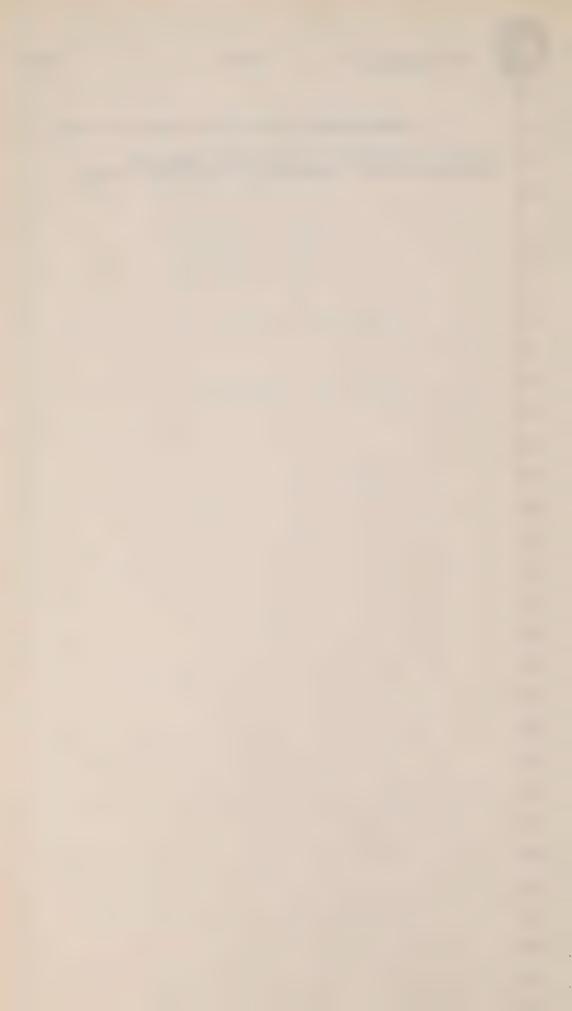
Railway in Saskatchewan on which there is no



Saskatchewan is \$4,561,150 (main line only).

Source of information - Director of Municipal Assessment Branch, Department of Municipal Affairs.

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#### SUBMISSION OF

## THE PROVINCE OF SASKATCHEWAN

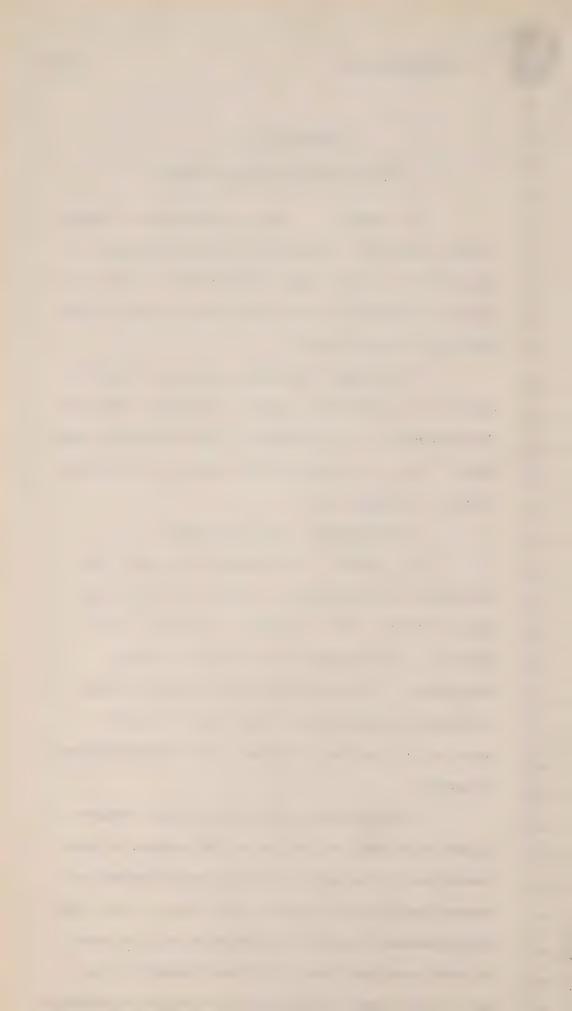
MR. CARTER: Now, Mr. Chairman and members of the Commission, I have one or two preliminary remarks which I should like to make before turning to the formal presentation of the submission on behalf of the Province of Saskatchewan.

I am happy, by the way, sir, to be able to say that our Province's Minister of Mineral Resources the Honourable J. H. Brockelbank is in attendance here today. He is, of course, well known to you and each of your colleagues also.

THE CHAIRMAN: And favourably.

MR. CARTER: In opening, sir, may I just touch upon something which has been said before but which, I think, will bear brief repetition. My Province, sir, welcomed the setting up of this Commission. It welcomed the fact that the Federal Government recognized that some solution must be found to the problems relating to rail transportation in Canada.

Saskatchewan, sir, may I say with respect, is convinced that the stature of the members of this Commission and the wide and varied knowledge and experience which they bring to their task are such that the recommendations of the Commission will be based on broad considerations of national economic policy and not upon what I might term a fragmented examination



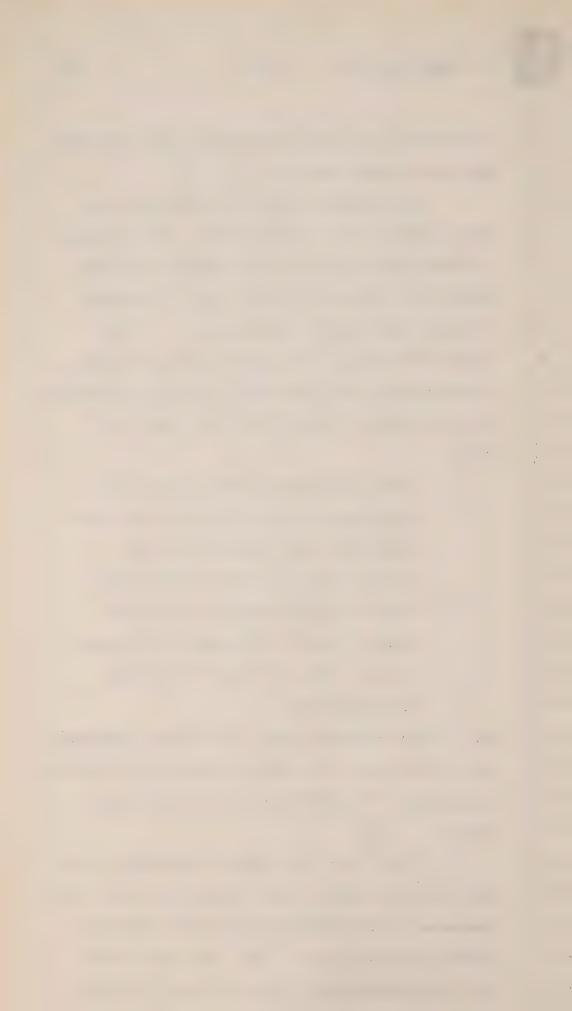
of individual problems or inequities, real or alleged, which may be urged upon you.

This brings me, sir, to another point on which I want to make a short comment. The government of Saskatchewan, with respect, commends the federal cabinet on the choice of words it used in the Order in Council setting your Commission up. In my client's view, sir, a very major and very vital part of the inquiry is set forth most succinctly in paragraph (a) of the Order in Council, and that, again, sir, reads:

"That the Commission shall consider and report upon inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made in furtherance of national economic policy to remove or alleviate such inequities."

Now, the most important words, in my humble submission, sir, in that part of the Order in Council are contained in the phrase: "in furtherance of national economic policy."

This, I say, sir, makes it abundantly clear that the Privy Council in its wisdom decided that this Commission in its deliberations must have regard to national economic policy. And I say, sir, further, that the Commission must in view of that have regard not merely to the various facets of that policy as



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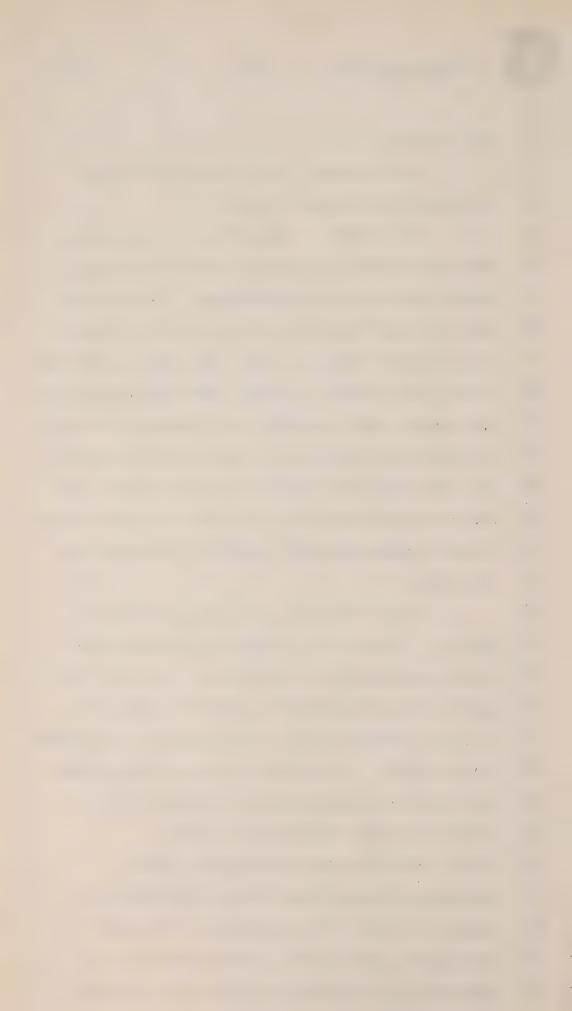
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they now exist. ---

THE CHAIRMAN: And we would like to get all possible definitions of that.

MR. CARTER: Well, here, sir, is an area where in the view of my client we hope to be of particular assistance to the Commission. We say that since the word "furtherance" is used in this portion of the Order in Council -- since that word in particular is used, and no doubt advisedly, that this implies that, with respect, this Commission must exhaustively examine the historical development of national economic policy. And, here again, sir, is one -- not the only one, but one of the areas where my client hopes to be, as I say, of some perhaps particular assistance to you and your colleagues.

Now, a word, sir, if I may, as to our submission. In it, sir, we reserve the right to make further submissions at a later date. In view of the way in which this inquiry has proseeded, this must, as you may understand, sir, of necessity be the position which we take. It had been the hope of my province, sir, that the Commission might have arranged its schedule so that we might have heard all of the submissions which the railways intend, apparently, to make before we were called upon to present our case. The railways, as I read the transcripts -- and, indeed, I have certain of the material in my hand now; it arrived the day before yesterday and today -- they have from time to time



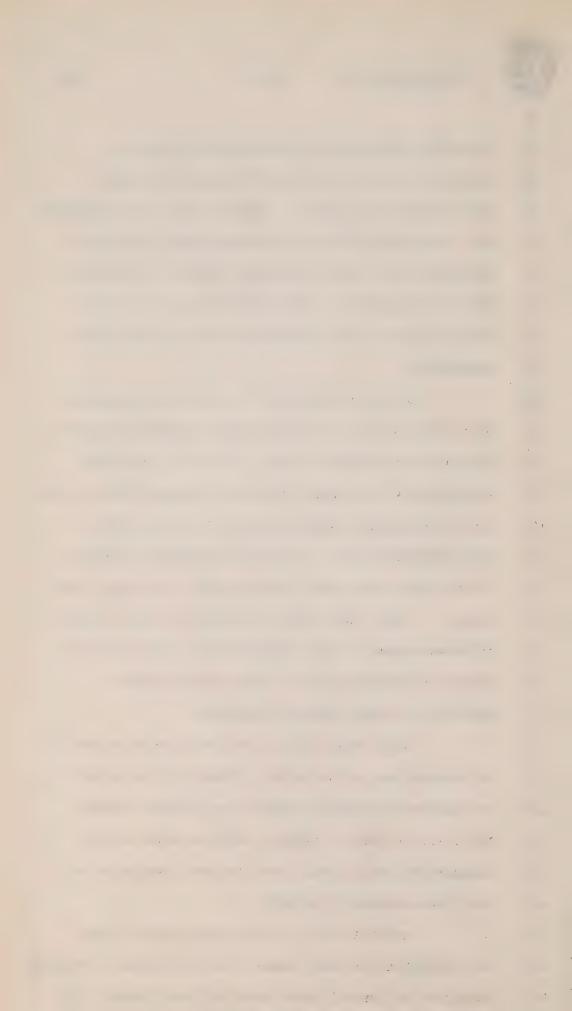
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indicated that each will be bringing forward a substantive case on matters other than statutory and related grain rates. Many of these we anticipate, sir, are matters which my province expect may be of vital interest to it; passenger losses, to name one; and which may have a very real bearing, sir, on at least certain of the recommendations we make in our submission.

that the schedule of hearings was so arranged that the province was required to file, as it did, its main submission a full month before the railways had to file their substantive submission on all matters before the Commission with, of course, the single exception of the Crow's Nest Pass rates on grain and grain products. But, as a result of this, sir, the Province of Saskatchewan in its submission has had to restrict itself in dealing with at least certain areas of analysis to broad general principles.

Now, this, sir, on the one hand is by way of explanation; on the other, frankly, it is by way of caution to perhaps certain of my learned friends. Thus, sir, by way of example only, we make certain suggestions and we shall come to that, having to do with the question of subsidy.

Now this, sir, is one area where we have felt impelled for the reasons I have outlined to address ourselves to general principles only and frankly, sir, this being so we are prepared to go into detail at this



time only to a limited extent.

This, I may say also, sir, is an example of an area where after we have had an opportunity of hearing the further submissions to be made on behalf of the rail that my client may wish to add something to the material which will be presented to you at this time.

I am, sir, of course, a newcomer to your proceedings and I am not quite clear on the manner in which you may require my client's submissions formally to be filed. The requisite copies, of course, were in the hands of your staff on the 15th of August. I do not know whether you wish me now to formally, so to speak, file this as an exhibit.

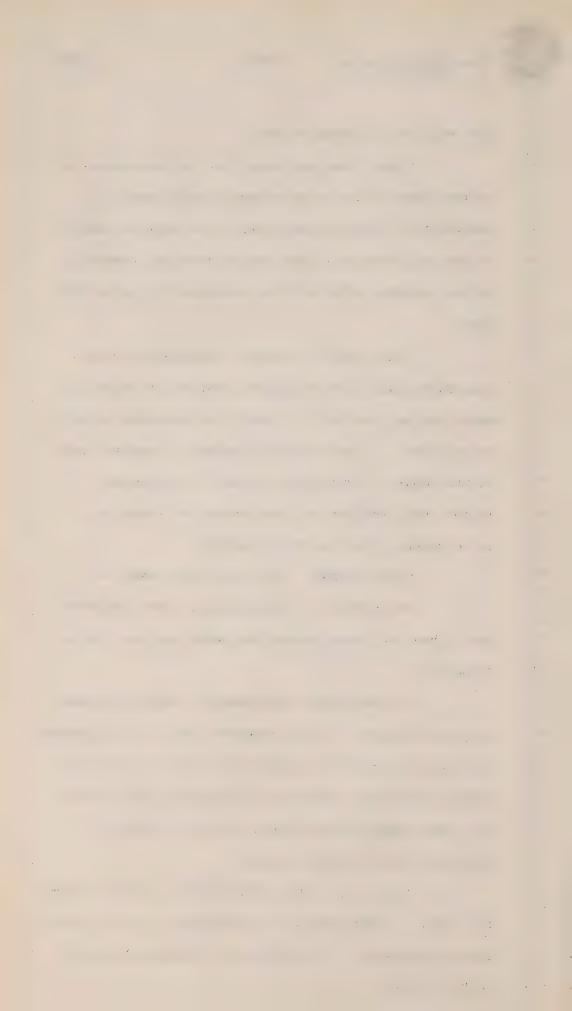
THE CHAIRMAN: Not unless you want to.

MR. CARTER: Unless this is your practice, sir, I have no intention of following any particular formality.

In presenting this material which consists, as you are aware, of four separate parts or submissions, we propose to address ourselves at first to the submission entitled: "Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates -- A Study of National Transportation Policy."

Now, sir, a very brief word of caution there, if I may. This part of the submission is, of course, bound separately. We propose to address ourselves to this first.

None of this, sir, or may I put it this way





without prejudice, so to speak. You and your colleagues, sir, will already, without my having to dwell on it, be well aware of the position my client takes. The question of the Crow's Nest Pass Agreement, the question of statutory and related rates on grain and grain products moving to export positions is not a matter which we say can be viewed separate and apart from the national scene generally; which cannot be viewed separate and apart from national economic policy as it relates to transportation and other matters.

All I am saying here, and briefly, sir, is that nothing is to be taken from the fact that our submission on Crow is separately bound, nor nothing is to be taken from the fact that we are initially addressing ourselves to that aspect of our submissions at the outset.

THE CHAIRMAN: Before you proceed, might

I personally and on behalf of the Commission express
my regret that my friend Mr. MacIntosh is not here
also and, Mr. Brockelbank, I know you will send to
him our respects and best wishes.

THE HONOURABLE MR. BROCKELBANK: I shall be very happy to do that, sir.

THE CHAIRMAN: He is a friend of many of us.

MR. CARTER: Now, Mr. Chairman, this part of my submission, as indeed with all parts, will be presented through Dr. George E. Britnell, and I would ask Dr. Britnell to take the stand now. I

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my own notes.

shall now, briefly to qualify Dr. Britnell, read from

# GEORGE E. BRITNELL, called

#### DIRECT EXAMINATION BY MR. CARTER:

Will you, sir, listen please to me and if I say anything that is not correct, will you please correct me as I go through, or after?

Dr. Britnell, briefly, sir, was educated in our province in public and high schools there. Thereafter, he attended the University of Saskatchewan, where he secured his degree of Bachelor of Arts in 1929.

He took post-graduate work following that at the London School of Economics and Political Science, University of Toronto. The degree of Master of Arts was conferred upon him in 1934 and he secured his doctorate at Toronto in 1938.

Dr. Britnell has held various university appointments at Saskatchewan, culminating in 1938 with his appointment as Professor and head of the Department of Political Science, as it was then, and in 1945 he became Professor and head of the Department of Economics and Political Science, a position which he still holds there.

In 1954 and 1955, or during that academic year, Dr. Britnell occupied the position of First Harold Innis Visiting Research Professor of Political

Economy, University of Toronto.

Apart from his university appointment, sir,

Dr. Britnell has held a number of other appointments.

He was in 1937 Economic Adviser of the Government of

Saskatchewan in connection with the Royal Commission

on Dominion-Provincial Relations. In 1938 he was

a member of the Economic Research Staff of the Royal

Commission on Dominion-Provincial Relations. In

1941, he was Chairman of the Dominion Royal Commission

on the Coal Mining Industry of Alberta and British

Columbia; and in 1941, of the Commission inquiring

into the Estevan Field in Saskatchewah.

In 1941 to 1944, he was Economic Adviser to Federal Wartime Prices and Trade Board here at Ottawa. From 1944 to 1945 he was Chairman of the Economic Advisory Committee, Government of Saskatchewan. From 1945 to 1951, he was Special Adviser to the Government of Saskatchewan. In 1946, he became Chairman, as he still is, of the Saskatchewan Government Transportation and Freight Rates Committee. From 1948 to 1951 he was a member of the Special Committee in Saskatchewan on Provincial-Municipal Fiscal Relations.

From May 1950 to August 1951, he was Chief of the Economic Mission to Guatemala, that being a mission set up by the International Bank for Reconstruction and Development.

In 1957, he was Commonwealth Member of the Royal Commission on Federal-Provincial Relations in

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the Federation of Rhodesia and Nyasaland. And, in 1957, he was a member of the Royal Commission on Energy, set up by the Federal Government here.

Amongst his other activities, he was in 1936 a delegate to the 5th Conference, Institute of Pacific Relations, in California; in 1938, a delegate to the 2nd British Commonwealth Relations in Australia; in 1941, he was a member of the Canadian Delegation to the International Conference on Food and Agriculture in Virginia; in 1950, he was elected a Fellow of the Royal Society of Canada.

Throughout 1956-1957, he held the position of President of the Canadian Political Science Association, and then as Chairman of the Canadian Social Science Research Council, 1956 to 1958.

In 1958, he was Canadian member of Council, of the International Economic Association, and was a member of the participant Council meeting and Symposium on World Inflation, in 1959, held in Denmark.

Dr. Britnell has published by himself, or together with others, four books, the first being "The Wheat Economy" in 1939. The next, "The Economic Development of Guatemala". Then, a further text having to do with the economy of Guatemala, and, finally, with Dr. Fowks, a book entitled "Canadian Agriculture in War and Peace: With Special Reference to the period 1939-1950."

Dr. Britnell has published some 26 research

papers, monographs and articles in learned journals.

He has been responsible for a large number of reports

and briefs to governments at all levels in Canada,

both municipal, provincial and federal, and to

governments of countries other than Canada.

Is all that correct, sir?

A. Guilty, sir.

THE CHAIRMAN: I think with that experience he should go out to the Congo.

MR. CARTER: I am afraid I have to hold him here for a day or two, sir.

Q. Dr. Britnell, you have the submission of the Province of Saskatchewan entitled "Historical Analysis of the Crow's Nest Pass Agreement on Grain Rates -- a Study in National Transportation Policy" before you. I would ask you, sir, to read that, to present it, making such comments or digressions as you may wish throughout, and I shall try to interrupt you as little as possible.



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A. Mr. Chairman and members of the Commission.

1. The Crow's Nest Pass Agreement originated as an integral part of national transportation policy.

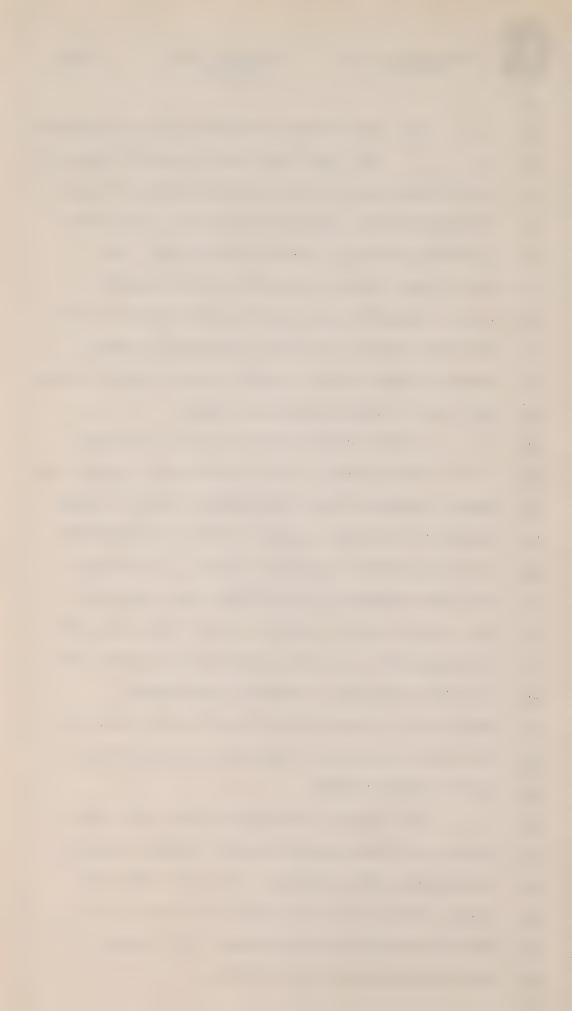
Its purposes can be understood only by an examination of national economic purposes and problems. The agreement was designed specifically to accomplish national objectives which by the closing decade of the nineteenth century had become imperative and which appeared certain to go by default unless decisive action

were taken by the Government of Canada.

2. As the established and accepted instrument for the accomplishment of the transportation features of national economic policy, the Canadian Pacific Railway Company was the obvious agency to stand in partnership with the government in the new venture. Furthermore, the future prosperity of the company was clearly at stake for the traffic which it was the clear intention of the agreement to develop in the western plains, and to foster further and repossess from American domination in southeastern British Columbia, would go first and in many areas exclusively to the Canadian Pacific Railway Company.

The project was long run rather than finite.

The task to be accomplished was not one that could be completed and then abandoned. The Crow's Nest Pass railway could be built in months but it would be in effective operation for generations. The traffic benefits would clearly be perpetual.



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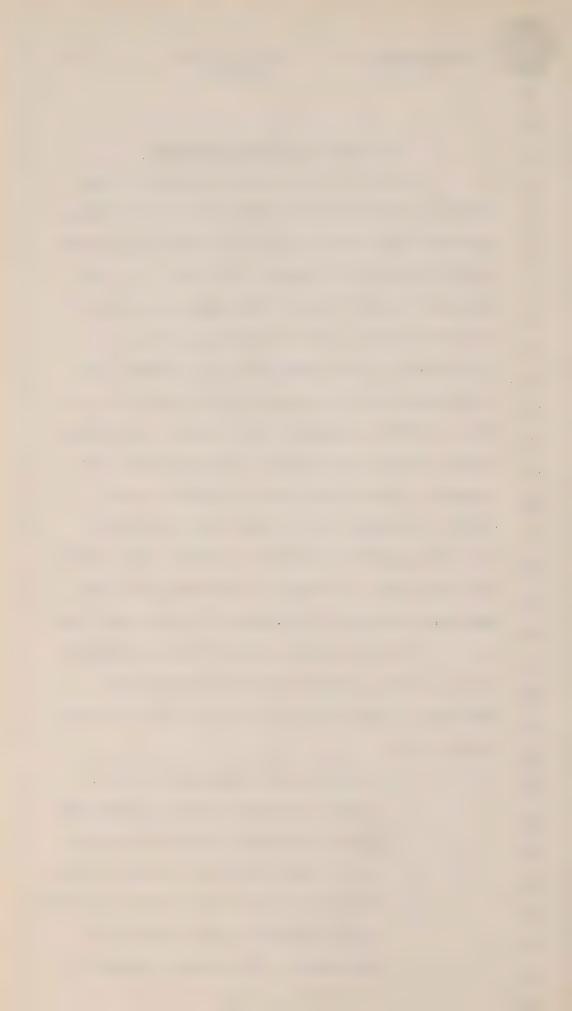
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### THE CROW'S NEST PASS AGREEMENT

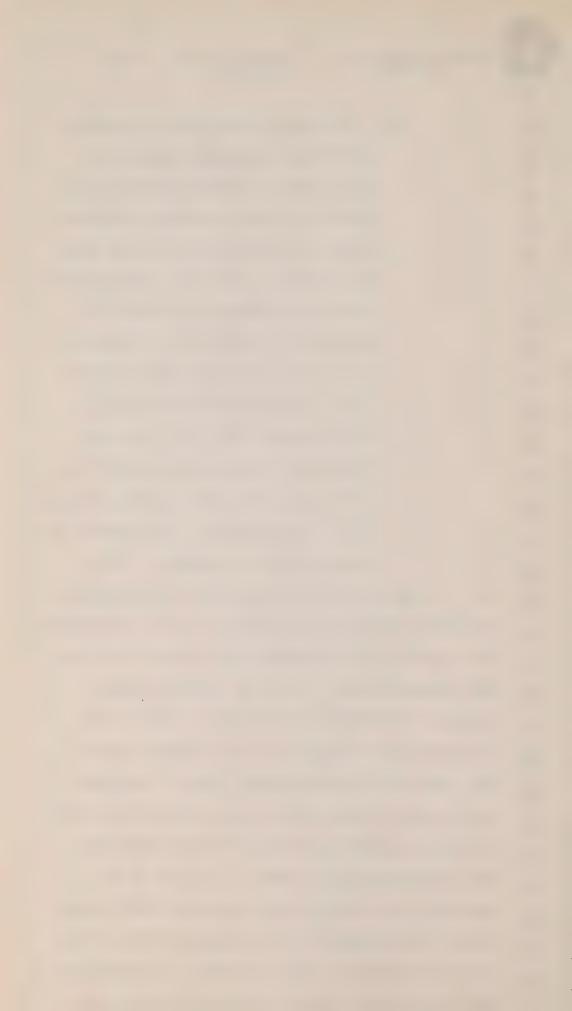
Crow's Nest rates were introduced by the 4. Canadian Pacific Railway Company in conformity with an agreement made under an act of the Federal Government in 1897 (Statutes of Canada, 60-61 Vic., c.5). The government agreed to grant the company a subsidy of \$11,000 per mile, but not exceeding a total of \$3,630,000, for the construction of a railway from Lethbridge, Alberta, through the Crow's Nest Pass to Nelson, British Columbia. The company, on its part, agreed to build the railway to specifications as to standard, location and time; it agreed to permit control of certain of its rates; and it agreed to introduce specific reductions in certain other rates. The latter rates as reduced in accordance with the agreement have come to be known as "Crow's Nest" rates. The rate changes agreed to by the Canadian Pacific Railway Company were the following (See Statutes of Canada, 60-61 Vic., c.5, 1897, s. 1, ss. (d) and (e).).

(a) A reduction in perpetuity of three cents per hundred pounds on grain and flour from points on Canadian Pacific lines then existing in the west to Fort William and points east thereof, one-half of the reduction to be effective by September 1, 1898 and the balance by September 1, 1899.



(b) a reduction in perpetuity of varying percentages on certain commodities from points on Canadian Pacific lines then in existence in eastern Canada to points on Canadian Pacific lines then in existence in the west. The specified commodities included such items as agricultural implements, all kinds of wire, iron, nails and spikes, binder twine, roofing and building paper, window glass, paints and oils, and furniture. The reductions varied from 10 to 33/1-3 per cent, and were commonly of the former figure: they were to be made effective by January 1, 1898.

therefore, provided for assistance for the construction of a direct rail link between the Kootenay valley and the transcontinental line of the Canadian Pacific Reilway. This marked an important new step in the development and integration of the Canadian economy. The other part of the agreement, however, concerned the prairie provinces particularly and related to rate reductions on existing lines of railway rather than the construction of new lines. This part of the agreement, then, broke no new ground and constituted merely a continuation of the prolonged effort of the federal government to secure adequate transportation facilities for the prairie region and to assure the



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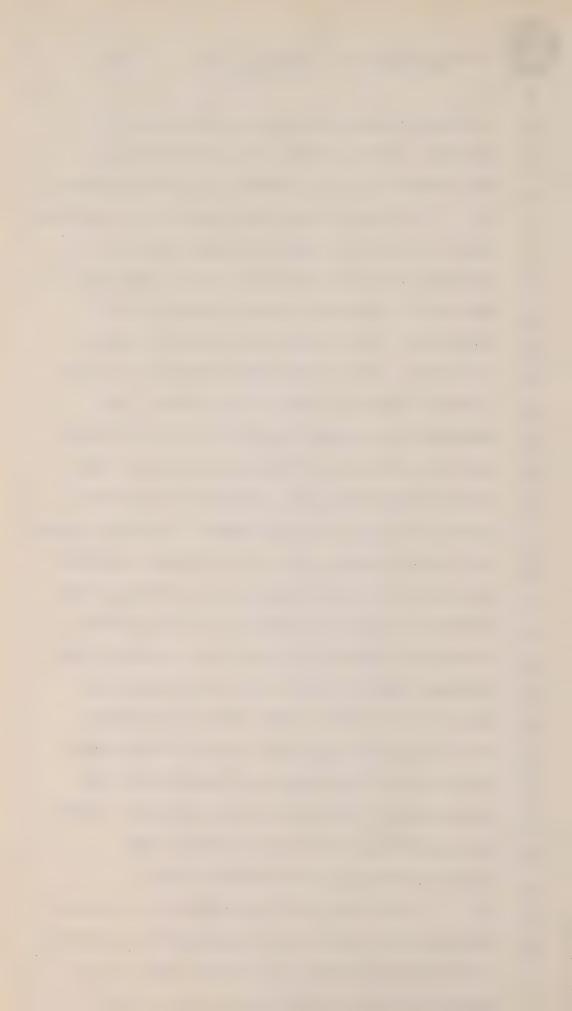
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provision of these facilities to the settlers at reasonable rates. As such, the agreement was but one further step in the working out of national policy.

It must be emphasized that the rate concessions made by the Canadian Pacific Railway Company in accordance with the Crow's Nest Pass Agreement were specific to a particular region, to particular commodities, and to particular movements of those commodities. The agreement did not require or aim at a general lowering of rates on all traffic. The reductions on eastbound traffic were limited to grain and flour moving to Fort Willian and beyond. These reductions were designed to improve the competitive export position of the cash staple of the prairie region and thus to encourage that type of economic activity without which the region could not be developed. The reductions on westbound traffic applied to certain commodities, particularly agricultural implements and building supplies, moving from eastern production centres into the west. These reductions involved the dual purpose of providing western settlers with cheaper capital equipment and of assuring that the maximum possible proportion of this equipment should be supplied by eastern Canadian factories and carried to the west over Canadian railways.

8. The Crow's Nest rate reductions as a group, therefore, were clearly directed toward the furtherance of economic development in the prairie region and toward the linking of that development with the



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eastern Canadian economy. This is the basis on which the Crow's Nest Pass Agreement, which embodied these rate reductions, must be recognized as a further step in the implementation of the national policy.

#### III

## NATIONAL POLICY AND THE CANADIAN PACEFIC RAILWAY COMPANY

In order to appreciate fully the importance 9. which attached to the furtherance of economic development in the prairie region at the time of the drafting and acceptance of the Crow's Nest Pass Agreement it is necessary to review the central features of national policy and to indicate the function of the Canadian Pacific Railway Company with reference to that policy. The national policy gradually took shape in the British North American colonies after the middle of the nineteenth century and was directed toward the unification of those territories on a national basis. The Canadian Pacific Railway Company was chartered in 1881. Despite an apparent separation in the timing of these events, historical materials indicate close inter-relationship between the development of national policy and the establishment of the company. National policy envisioned the solution of the economic perplexities of the St. Lawrence region and maritime provinces by the encouragement of inter-provincial trade and the expansion of the field of economic activity: the Canadian Pacific Railway Company was one of the



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foremost instruments created for the accomplishment of the national purposes.

10. Unification of the British North American

colonies and territories as envisaged in national policy after 1850 was more the product of necessity than of natural cohesion among the scattered British territories. Political deadlock in the Province of Canada, the termination of imperial preferences, the impermanence of reciprocity with the United States, the costliness and ineffectiveness of river improvement and railway construction, fisheries disputes and border incidents with the Americans -these and other problems conspired to point the way to political and economic union. The impelling circumstances behind the national policy was, in short, that a variety of economic and political difficulties which beset the individual colonies were insuperable as long as the colonies pursued their independent ways. Union, with all its inevitable compromise and commitment, was nowhere particularly welcome but it became increasingly clear that political and geographic combination on a widely inclusive basis offered the only realistic prospect of survival. The economies of the United Province of Canada on the St. Lawrence and of the maritime region were complementary to a significant extent. Political union would provide a customs union and the removal of inter-colonial tariff barriers. The remaining and unavoidable geographic obstacle of barren distance which intervened



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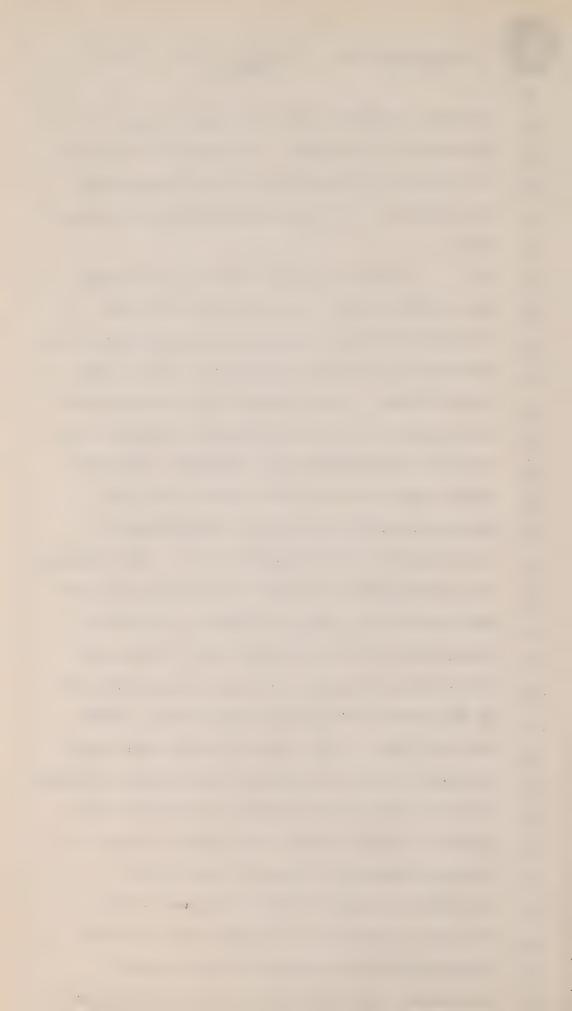
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could be effectively surmounted only by the construction of a railway. An intercolonial railway to join the St. Lawrence and the maritime colonies was therefore an indispensable instrument of colonial union.

The possibility of political and economic union between the St. Lawrence and the maritime colonies offered distinct but limited prospects for the improvement of existing conditions of life in these separate areas. It was obvious in the mid-nineteenth century that a union involving these territories alone would be both incomplete and inadequate. Canadians already had experience with a partial union, and experience which began with the establishment of the United Province of Canada in 1841. The experience was not reassuring. To unite the Province of Canada with the Maritimes would, of course, considerably enlarge the political unit, but such a union would nevertheless remain but a part and an inadequate part of the British North American territories. Beyond the Great Lakes lay the vast and little known spaces of Rupert's Land, the allegedly worthless but nonetheless jealously guarded game preserve of the Hudson's Bay Company. On the Pacific coast were the colonies of British Columbia and Vancouver Island, Gold discoveries in British Columbia followed shortly after the discoveries in California and attracted Canadian and British attention to the western continental limits of British American territory as the



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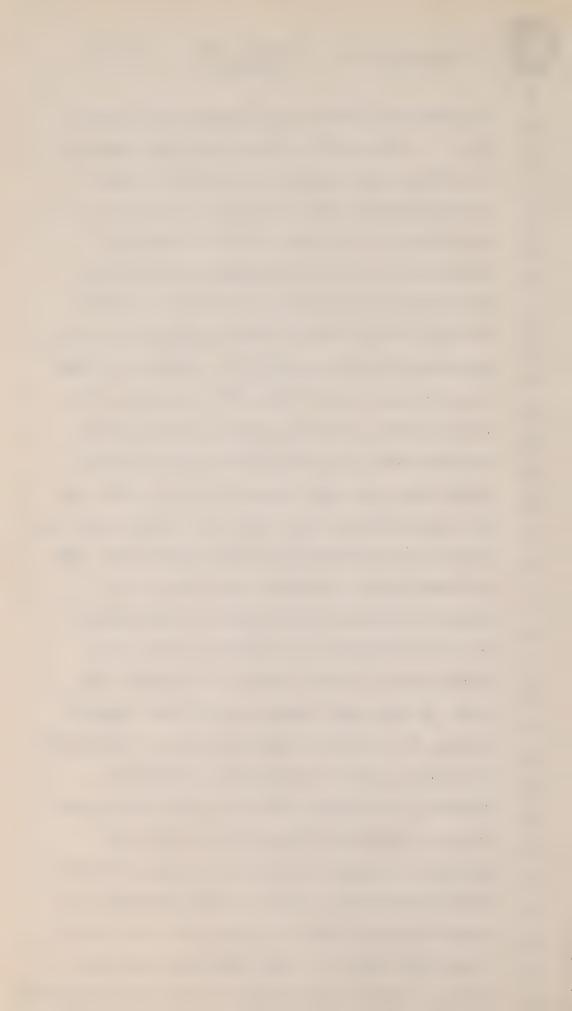
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California gold strikes had attracted the american. 12. The project of nation hood which emerged in the British North American colonies in the midnineteenth century and took shape in the decades thereafter was the product jointly of internal frustration and American influence. The Thirteen Colonies laid the groundwork of the American nation after the establishment of their independence in 1783. Succeeding decades permitted the consolidation of the economic and political base of the new nation. opening of the nineteenth century saw the American national sphere of economic and political activity expand with increasing momentum to the westward. By the mid-nineteenth century there were American frontiers beyond the Mississippi and on the Pacific coast. The northward thrust of American design had as yet found no attraction in the central plains adequate to lead to a challenge of the boundary in this area, established at the 49th parallel of latitude since 1818. On the coast, however, in the early eighteenforties, the boundary remained unsettled. Here British fur traders carried on operations in what they asserted to be British territory as far south as the mouth of the Columbia River, far below the 49th parallel. American settlers in the Oregon Territory denied the British slaim and, in fact, asserted the counter claim to coastal territory far to the north of the 49th parallel. They approached the Oregon boundary dispute in the expansive and frankly belligerent



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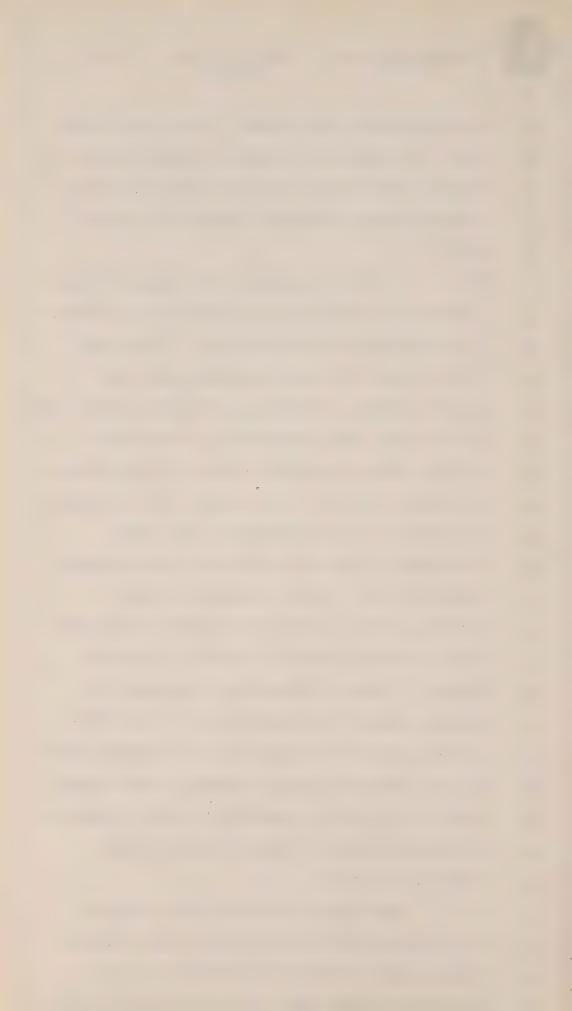
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mood suggested by their slogan, "fifty-four forty or fight," the location of fifty-four degrees forty minutes north latitude being the lowest point of the existing Russian territorial claims on the Pacific coast.

13. In these circumstances the popular American sentiment of expansionism was captured and epitomized in the expression "Manifest Destiny". In December 1845. writing in the New York Morning News with specific reference to the Oregon Boundary dispute, John L. O'Sullivan spoke persuasively of "the right of our (the American) manifest destiny to overspread and to possess the whole of the continent which Providence has given us for the development of the great experiment of liberty and federated self-government entrusted to us." (From a statement by John L. O'Sullivan in the New York Morning News, December 27, 1845, as cited by Albert K. Weinberg in Manifest Destiny: A study of Nationalist Expansionism in American History (Baltimore, 1935 - p. 145). The establishment of the 49th parallel of latitude as the boundary through the Oregon territory to the Pacific coast in 1846 marked a substantial defeat of American design, but a defeat regarded by many as purely temporary in nature.

14. Developments within the first decade or two following the settlement of the Oregon boundary dispute centred attention on the Pacific coast in unprecedented degree and placed new emphasis upon the



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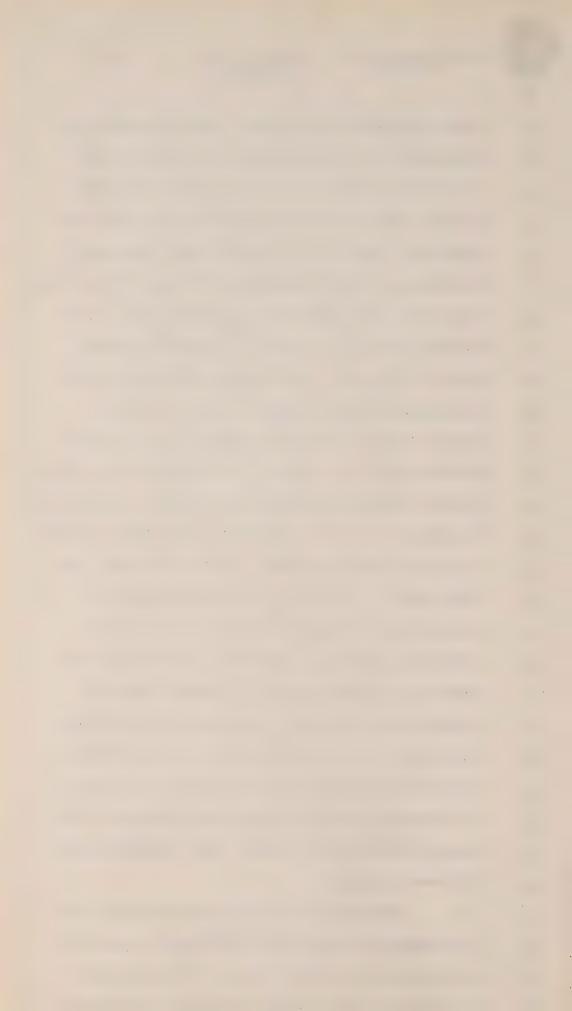
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trans-continental perspective. Gold discoveries in California in 1848 drew hordes of prospectors and settlers to the west coast. Fanning out from the original strike in search of other likely areas the propsectors moved north along the coast and worked the gravels of the river deltas for traces of gold which would reveal the existence of upstream lodes. Gold . dust was found in the sands of the upper Columbia River in 1855 and in the Thompson and Fraser Rivers, particularly near Fort Hope, in 1856. spring of 1858 a gold rush of major proportions was directed toward the Fraser. An estimated twenty-five thousand prospectors flocked in, fifteen thousand from San Francisco and the others from Puget Sound, Oregon, Washington, Minnesota, Utah, Hawaii and Central and South America. In August, 1858 the new British colony, British Columbia, exclusive of Vancouver Island, was created. Prospectors worked their way upward in succeeding years, to Quesnel River and Cariboo Lake in 1859 and to Williams and Lightning Creeks by 1861. The latter water courses provided the centre of attraction for the Cariboo gold rush of 1862 which drew prospectors from California, the eastern United States, Canada, Great Britain and the continent of Europe. Prospecting along the Columbia River took 15.

gold seekers far inland from the Pacific coast into

the north-south mountain valleys of the Arrow and

Kootenay Lakes. The mineral discoveries which were



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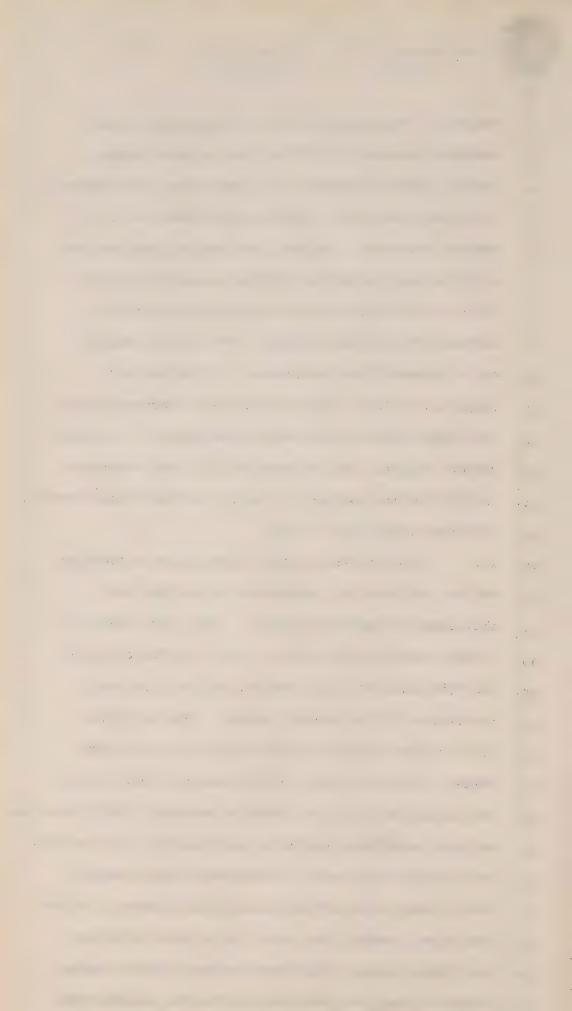
made in the inter-mountain interior gradually developed into an economic prospect of sufficient magnitude to attract international attention. The area referred to at this point is the one eventually involved directly in the Crow's Nest Pass railway project of the eighteen-nineties. Before dealing more specifically with this aspect of the study, however, it is necessary to elaborate certain of the developments of the intervening period.

16. The wave of interest in the Pacific coast which was engendered by the mid-century gold discoveries emphasized as mover before the absence of overland communication. To establish contact between the Atlantic and the Pacific seaboards involved a choice from among three routes all of which were strenuous in the extreme. One was the long and hazardous voyage via Cape Horn. A second was the shorter but generally impracticable voyage which required portaging at the Isthmus of Panama. Finally, there was the incredibly trying overland journey via rail to the Mississippi valley and by horse or on foot over the deserts and mountains beyond. The tremendous saving in time and the avoidance of distress which could be anticipated from the establishment of rail communication from coast to coast were readily apparent. Only the appalling magnitude of the task delayed the extension of eastern railways from their western termini, which by mid-century were in the heart of the continent, to the

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Pacific. The Union Pacific was chartered by the American Congress in 1862 to link up with Central Pacific, thus to provide rail connection from Sacramento, California, to Omaha, Nebraska, and thence to the eastern seaboard. (Bastern American railways did not as yet extend beyond the western boundaries of the State of Iowa but the Union Pacific was projected westward from Omaha, Nebraska. The Central Pacific built eastward from Sacramento.) This project, completed in 1869, provided the first transcontinental rail connections in the western hemisphere. A second western railway, the Northern Pacific, was chartered in 1864 for the purpose of linking the Great Lakes area with the north Pacific coast.

Pacific railways lent substance to the American
philosophy of Manifest Destiny. The Union PacificCentral Pacific link with the coast lay far south of
the 49th parallel, the southern margin of British
territories in the central plains. The projected
route of the Northern Pacific was quite a different
matter, lying as it did for the most part well within
two hundred miles of the Ganadian boundary. While American
railways were being projected and commenced, the British
territories to the west of the Great Lakes remained
the private domain of the Hudson's Bay Company. At the
same time, however, the plans for a Canadian nation
were taking shape. Confederation was effected before
either of the first two American Pacific railways was



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18. Neither the prospect nor the accomplishment of Confederation dissuaded the Americans from their ambition to occupy the entire North American continent

or at the least its entire western part. A bill providing for the absorption of all British North American territories into the American Union was introduced into the United States House of Representatives in 1866 but was defeated. (See F.W. Howay. W.N. Sage and H.F. Angus, British Columbia and the United States 'Toronto, 1942', pp. 196-7). 1867 Senator Ramsey of Minnesota moved that the Senate Committee on Foreign Relations consider the advisability of a treaty between the United States and Canada which would provide for the American annexation of all territories in North America west of longitude 90 degrees (just to the west of Fort William). Senator Ramsey saw an urgent necessity for action by Congress in the impending proposal for the "annexation" of the western British Territories to

Canada. He commented in part: (Ibid., p. 198).

"We are informed that a member of the government of Canada is about to present to parliament a bill for the extension of the Dominion of Canada to the Pacific ocean. The authorities of British Columbia having applied for admission to the Canadian federation, the passage of such an act by the Parliament at Ottawa, with the assent of

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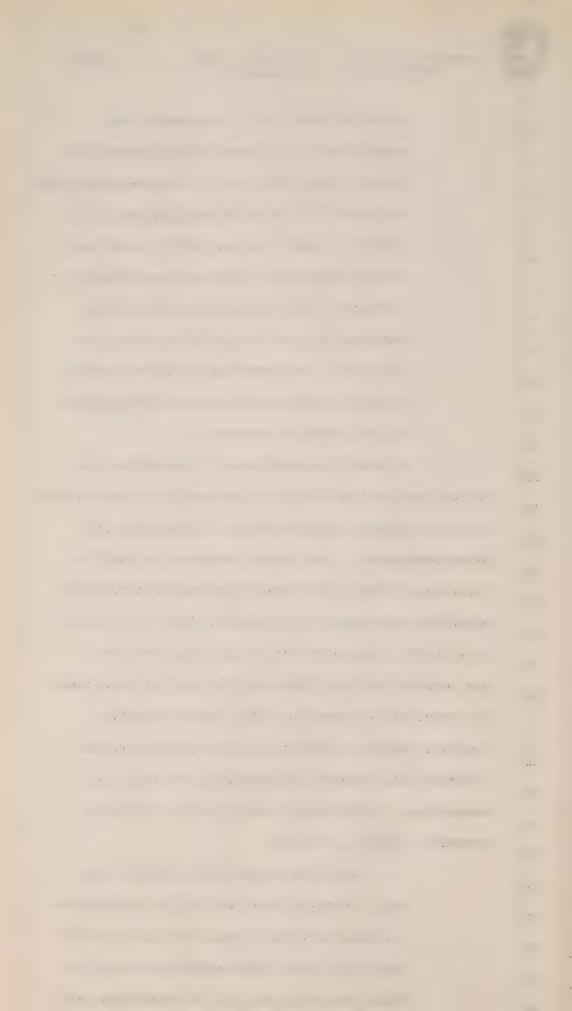
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Queen in council will consummate the annexation of northwest British America to Canada. The people of the Selkirk settlement, northwest of Minnesota, and the people of British Columbia on the Pacific coast would prefer admission to the American Union; and I believe it has become the duty of the American Congress to indicate openly and distinctly the terms and conditions which we are willing to offer as an alternative to the Canadian overture".

19. Although Senator Ramsey's resolution was tabled for the time being it was brought forward again in 1868, again by Senator Ramsey, and passed with minor amendments. The Senate Committee on Pacific Railroads, to which the resolution was then referred, apparently regarded it as a matter which need not be dealt with in any haste but which could have but one outcome and that favourable to the American desire for territorial expansion. The Senate Committee regarded American railway construction near to the international boundary as pointing inevitably to annexation. Their report contained the following comments: (Ibid., p. 199).

> "The line of the North Pacific runs for 1500 miles near the British possessions and when built will drain the agricultural products of the rich Saskatchewan and Red River districts east of the mountains, and



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the gold country of the Fraser, Thompson and Kootenay Rivers west of the mountains....

The opening by us first of a North Pacific Railroad seals the destiny of the British possessions west of the 91st meridian. They will become so strongly Americanized in interests and feelings that they will in effect be severed from the new Dominion and the question of their annexation will be but a question of time."

Victoria in 1869 and 1870 and with some scores of signatures attached were forwarded to the American President. As late as 1870 there remained a strong and hopeful group of annexationists among the citizens of Vancouver Island. Their views were ably expressed in the Legislative Council of the province by elected representatives under the leadership of Dr. Helmcken. In the Confederation debates of the British Columbia legislative council in March 1870 Dr. Helmcken summarized the views of the group, the members of which stood in opposition to the Confederation policy of the administration, in the following words: (Ibid., p.215).

"No union between this Colony and Canada can permanently exist, unless it be to the material and pecuniary advantage of this Colony to remain in the union.

The sum of the interests of the inhabitants

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is the interest of the Colony. The people of this Colony have, generally speaking, no love for Canada; they care, as a rule, little or nothing about the creation of another Empire, Kingdom, or Republic; they have but little sentimentality, and care little about the distinctions between the form of government of Canada and the United States.

Therefore no union on account of love need be looked for. The only bond of union outside of force - and force the Dominion has not - will be the material advantage of the country and the pecuniary benefit of the inhabitants. Love for Canada has to be acquired by the prosperity of the country, and from our children."

federated four eastern provinces and provided for the entrance of the remainder of the British North

American territories and colonies into the federation. The long and short of the matter was, however, that eventual federation from coast to coast remained very much in doubt. The Americans coveted the territories to the north of the 49th parallel of latitude and the international boundary as then constituted would be meaningless unless Canadian treaty rights in the western territories could

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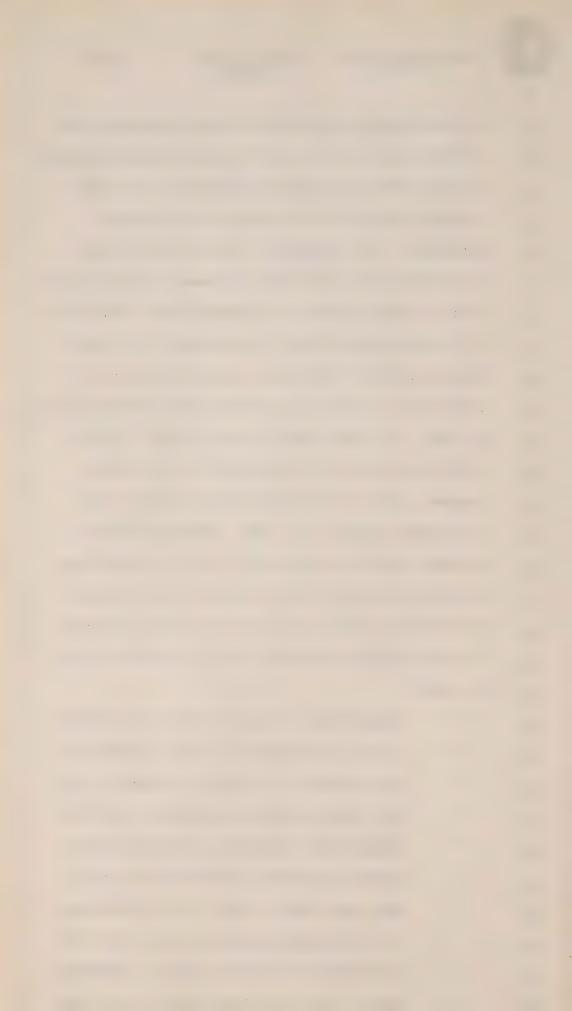
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be established by effective economic occupation. The Pacific colony was in a particularly strong bargaining position with its seaport possibilities, its gold resources and a host of other obvious economic advantages. It, especially, was desired by both the United States and Canada and many of its residents were inclined to await the highest bidder. The whole of the Canadian west lay in the balance. Sir John A. Macdonald gives a reasonable interpretation of the situation concisely in a personal letter written early , in 1870. In this letter he said in part: (From a letter from Sir John A. Macdonald to C.J. Brydges, general manager of the Grand Trunk Railway, dated from Ottawa, January 28, 1870. Governor Smith of Vermont. with whom Brydges had been in conversation, was then president of the Northern Pacific Railway. See Sir Joseph Pope, Memoirs of the Right Honourable Sir John Alexander Macdonald, G.C.B. (Toronto, 1894), pp. 524-5.

"Many thanks for your letter of the 26th, giving me an account of your conversation with (Smith). It is quite evident to me, not only from this conversation, but from advices from Washington, that the United States government are resolved to do all they can, short of war, to get possession of the western territory, and we must take immediate and vigorour steps to counteract them. One of the first things to be done



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is to show unmistakably our resolve to build the Pacific Railway."

I would like to clear that up. This wasn't Donald Smith, late of the C.P.R., this was Governor Smith of Vermont, who was then President of the Northern Pacific Railway.

It will be noted that Macdonald spoke of "the" Pacific railway rather than of "a" Pacific railway. The letter containing these comments, written in 1870, pre-dated the earliest Pacific railway legislation in Canada and pre-dated even the union agreement with British Columbia which first embodied the commitment that a Pacific railway would be built. Yet Macdonald's use of the definite article was not accidental. It was simply an indication of the fact that the construction of a railway linking the eastern British colonies with the Pacific and running through British territory had long been considered distinctly a possibility and, by 1870, had come to be regarded as indispensable. American continental imperialism, thinly disguised beneath the euphemism of Manifest Destiny, rendered imperative an effective Canadian counter-imperialism of national scope. The threat inherent in the American Pacific railways which were constructed or projected in the eighteen-sixties elevated the Canadian Pacific railway from the realm of surmise to the level of urgent necessity.

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The pressure working toward the construction 23. of Pacific railways in Canada and the United States were by no means confined exclusively to the economic life of the North American continent. The land masses of the western hemisphere had first appeared to European discoverers as nothing but a tremendous barrier lying across a possible water route from Europe to the Indies. Throughout the centuries which succeeded the voyages of Columbus, Europeans never abandoned the search for the North-West Passage. By the end of the eighteenth century it was apparent that such a passage, entirely by open water, did not exist. The western continents would have to be circumvented, as they could be by way of hazardous Cape Horn, or portaged, as they might be at the Isthmus of Panama or at other places where the extent of land was immensely greater. Not till railway technology was well advanced, however, as it was by the middle of the nineteenth century, was there any serious possibility of a trade route from Europe to the Orient across rather than around the Americas. By the same date, new commercial contacts and concessions had been established between European countries, notably Britain, on the one hand, and fareastern countries such as China and Japan, on the other. Under these circumstances it became 24.

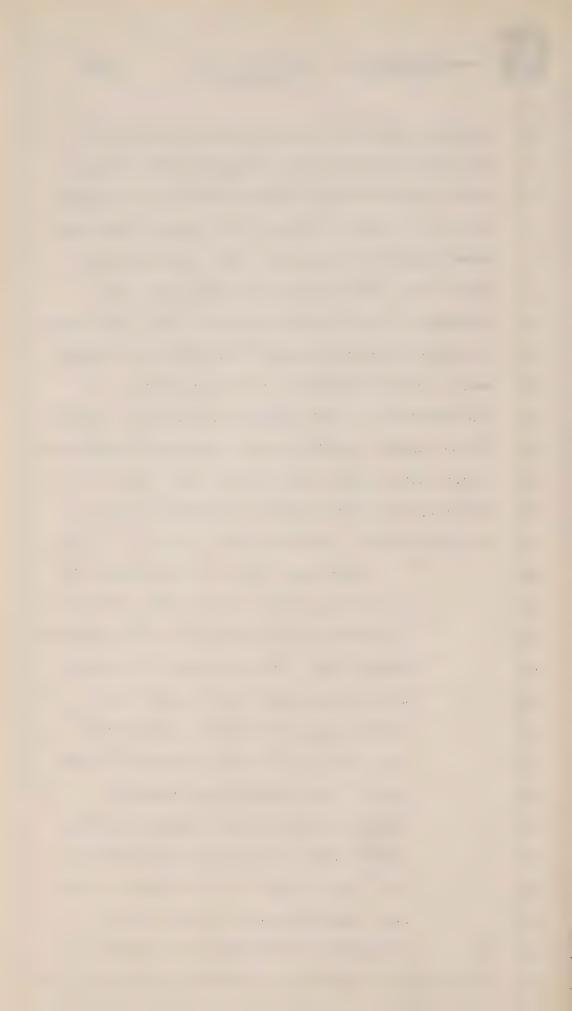
apparent that Pacific railways were potential and

essential allies of any group or region desirous of

competing effectively in the renewed world rivalry for the far-eastern trade. Among the most telling of the arguments for or against the various projected routes of a Pacific railway in the United States were those related to the Asiatic trade. The reference made to the Asiatic trade by the American Senate Committee on Pacific Railroads in 1868 and cited below is merely a striking example of the type of reference which pervaded the railway literature of the Confederation and post-Confederation period. Speaking of the Northern Pacific Railway then under construction in the United States the Committee said: (See the Report of the Senate Committee on Pacific Railroads as cited in Howay, Sage and Angus, op. cit., p. 199).

"From China (Canton) to Liverpool it is 1500 miles mearer by the 49th parallel of latitude, than by the way of San Francisco and New York. This advantage in securing the overland trade from Aaia will not be thrown away by the English, unless it is taken away by our first building the North Pacific Road, establishing mercantile agencies at Puget Sound, fixing mercantile capital there, and getting possession on land, and on ocean, of all machinery of the new commerce between Asia and Europe."

25. A Canadian Pacific Railway was regarded by the British and Canadian as essential in order that the trade between Europe and Asia might not all be lost to



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the Americans but might rather move seross the continent through British territory and via Canadian transportation and commercial facilities. In 1851, Allan McDougall of Toronto urged the construction of a railway from the Great Lakes to the Pacific. In advocacy of his proposal he published a pamphlet entitled, "A Railroad from Lake Superior to the Pacific. The shortest, cheapest and safest communication for Europe with Asia." (See S.J. McLean, "National Highways Overland," in Canada and its provinces (Toronto, 1913, Vol. 10, p. 420.)) In global, and even in Empire, perspective the project for a Canadian Pacific railway as advanced after the middle of the nineteenth century was a project for a portage railway between the waters of the Atlantic and the Pacific. Its broadest commercial purpose was to facilitate and expedite the transshipment of goods as they moved in trade betwen Europe and the Far East, and to draw this trans-shipment trade through Canada in competition with the United States. Steamship services on the Pacific and on the Atlantic had but to be linked by a transcontinental railway to form an integrated Canadian trade and transportation system between Europe and the Far East. Whether we have in mind the preservation of the British territories on the Pacific coast, the security of the interior plains against the threat of American absorption, or the establishment of an effectively competitive all-British trade route with the



Orient, a Canadian Pacific railway had come to be indispensable by the early post-Confederation years. Such a project was quite beyond the capabilities of unassisted private capital. A Pacific railway would either have to be built by public enterprise or by private interests given substantial state support.

became a contractual obligation of the Dominion government as part of the terms of union under which British Columbia entered Confederation in 1871. The Dominion, in effect, outbid the United States for possession of the coastal colony and the pledge to construct the Pacific railway was by far the most onerous of the commitments undertaken to secure such possession. There was also the question of establishing effective ownership of the central plains and the early construction of a railway link through these regions was recognized as pre-requisite to this purpose as well.

IV

## LOCATION OF THE CANADIAN PACIFIC RAILWAY IN THE EAST: THE NORTH-SHORE ROUTE

established under federal legislation in 1881. The Canadian Pacific Railway Act of 1881 was the third such act passed by the Canadian Parliament. The Canadian Pacific Railway Company was the fourth

company incorporated by the Dominion government in

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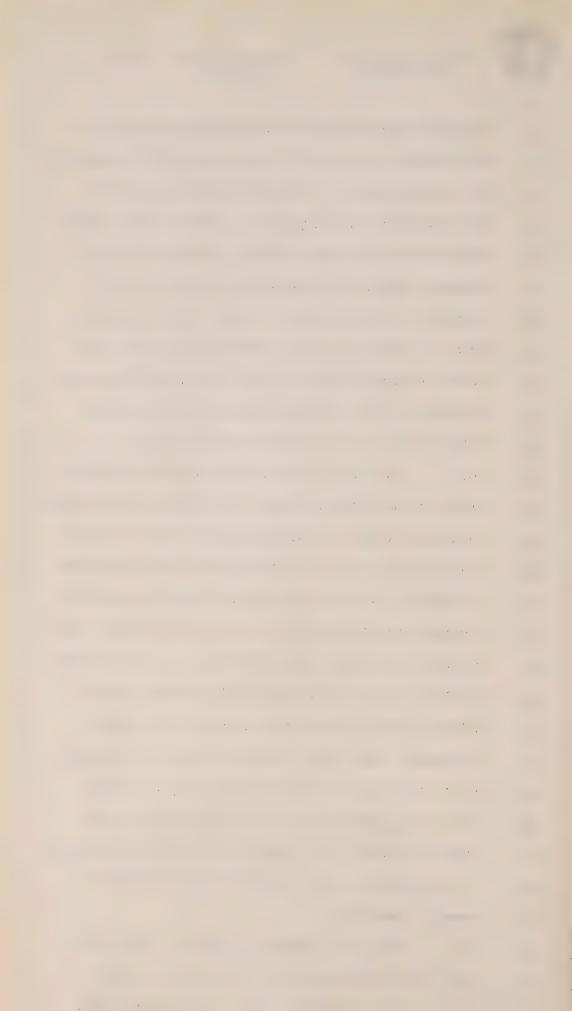
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its effort to secure the construction of a railway to the Pacific coast. The national aspects of the project and of the Company were nowhere more sharply emphasized at the time of the organization of the Company than in the discussions relating to the location of the main line of the Pacific railway. This line was repeatedly identified as one to run from Callandar Station to Port Moody, but there was obviously a wide variety of possible routes over which the line might connect these terminals. The main point at issue was the location 30. of the route between eastern Canada and the Red River. In general there were three possible ways of linking the railway system of eastern Canada with Fort Garry or Selkirk: (a) a line might be located around the southern end of Lake Michigan joining the Grand Trunk Railway on the east with Fort Garry via Minneapolis-St. Paul; (b) an extension of the Canada Central Railway (under construction from Ottawa to Lake Nipissing) might cross into the States at the Sault, run to the south of Lake Superior and on to Fort Garry; and, finally (c) a line might be run from Lake Nipissing to Fort Garry or Belkrik to the north of Lake Superior, thus passing entirely through Canadian territory. The most southerly of these routes, the 31. Grand Trunk connection, had been dismissed from

serious consideration by 1881. The middle route,



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however, the one to cross into the States at Sault Ste. Marie, remained a powerful and, to many, the only sensible, contender for acceptance. American railway interests were prepared to back such a route with pledges for construction. Even in Canada the middle route had strong supporters. The construction problems of the north-shore route were so formidable and its traffic prospects so slender that only a sense of the national imperative could make it appear indispensable or even possible.

32. By 1881, however, the Conservative government was convinced that the Pacific railway must follow the north-shore route and that this link must be built immediately, without the postponement urged by many thoughtful persons in and out of the House of Commons. The national economic and political considerations involved in the decision were set forward by Sir John A. Macdonald in an attack upon an Orposition proposal for a Pacific railway which envisaged indefinite posptonment of the north-shore link. This proposal and its ostensible effects Macdonald described as follows: (See Canada, House of Commons, Debates, 1880-81, January 17, 1881, p. 491.).

> "The proposal is one for building an easy road across the prairies, and so connecting with the American system of railways, and carrying away the trade of the North-west by one or more American channels, to the utter ruin of the great policy under

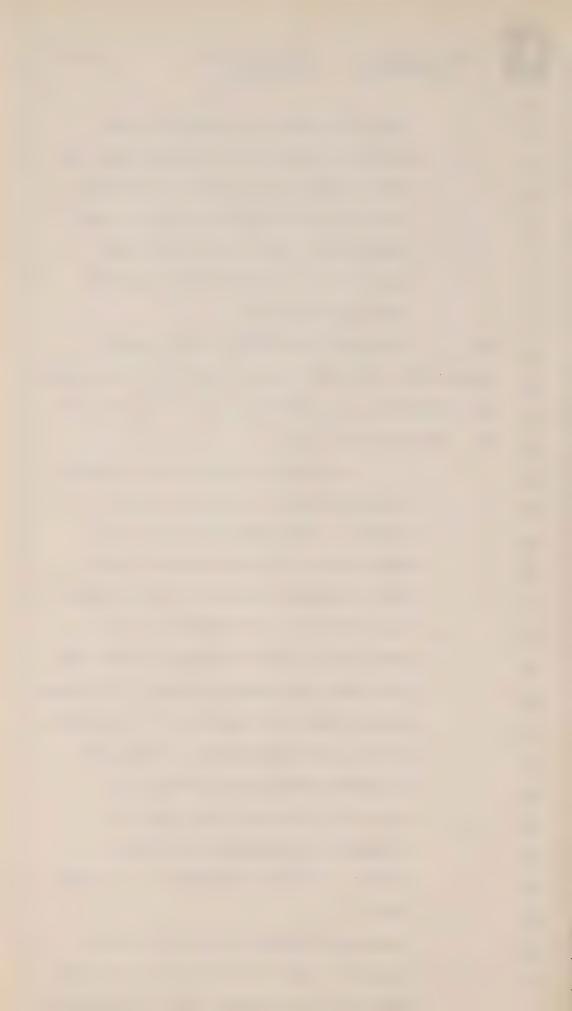
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which the Dominion of Canada has been created, to the utter ruin of our hopes of being a great nation, and to the ruin of our prospect of getting possession of the Pacific trade, and connecting Asia with England by a railway passing through the dominions of England."

33. As for the Conservative scheme, which required the north-shore line in order that there might be constructed an all-Canadian railway, Macdonald went on: (Ibid, pp. 491, 493).

"I am proud to say that if our scheme is carried out, the steamer landing at Halifax will discharge its freight and emigrants upon a British railway, which will go through Quebec, and through Ontario to the Far West, on British Territory, under the British flag, under Canadian laws, and without any chance of either the immigrant being deluded or seduced from his allegiance or his proposed residence in Canada, or the traffic coming from England or from Asia being subjected to the possible prohibitory or offensive restrictive taxation or customs regulations of a foreign power....

"we desire to have the trade kept on our own side -- that not one of the trains that passes over the Canadian Pacific Railway will



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run into the United States if we can help
it, but may, instead, pass through our
own country, that we may build up Montreal,
Quebec, Toronto, Halifax and St. John by
means of one great Canadian line, carrying
as much traffic as possible by the course of
trade through our own country."

34. The north-shore route was indispensable to national purposes and was accordingly utilized. (...in the light of the later Canadian Pacific extension through precisely this American territory (to the south of Lake Superior) as well as through Maine, there was much buncombe in the flag-waving answer made (to the Liberals' proposals for a line via Sault Ste. Marie). Yet, on the whole, so necessary to national unity was an unbroken road, so hard a country was this to make into one, that it was best to err on the side of safety. The political interests at stake warranted some risk of money loss." See Oscar D. Skelton, The Railway Builders, A Chronicle of Overland Highways (toronto, 1916), p. 146. The compulsion which led to the construction and utilization of the north-shore segment of the Canadian Pacific Railway was one of the factors which prompted the late S.J. McLean to remark: "The signal commercial success which has attended this enterprise (the Canadian Pacific Railway Company) is the more remarkable because it was in its beginning a political undertaking". See McLean, "National Highways Overland,"



in Canada and its Provinces, Vol. 10. p. 424.) Construction was accomplished at tremendous cost. (O.D. Skelton points out, for example, that construction of one particular mile of the north-shore line cost seven hundred thousand dollars and that several miles cost half a million dollars each. One muskeg area, he says, holds seven layers of Canadian Pacific track, buried one below the other. See the Railway Builders, pp. 163-4).



Q. May I ask one question which I should

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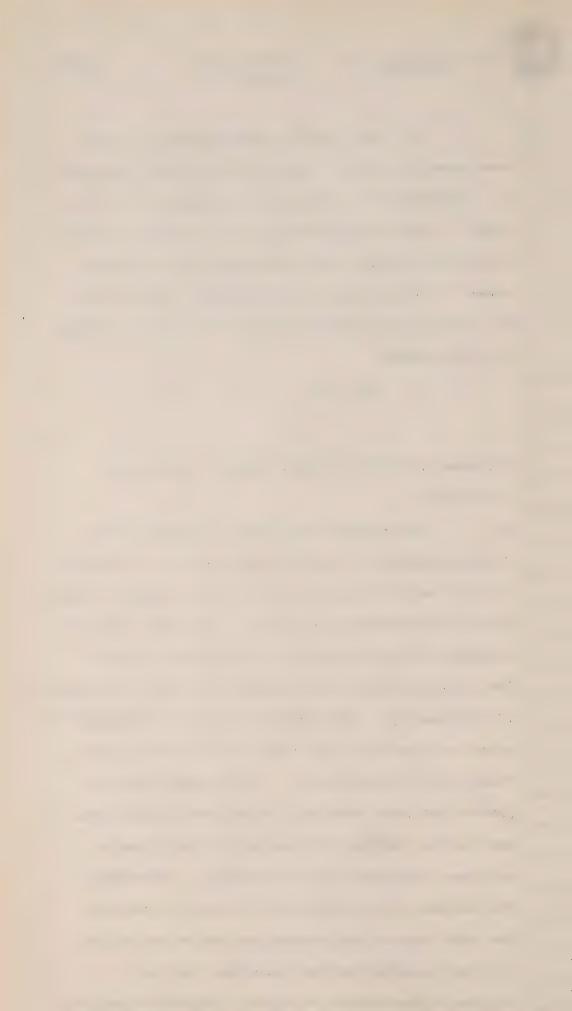
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have asked you before I directed you to this submission. As I understand it -- and you will correct me if I am wrong -- this section which you are presently addressing yourself to and the other submissions yet to come on behalf of the province of Saskatchewan, each of them has either been prepared by you or under your direction; is that correct? Α. Yes, sir.

The Canadian Pacific Railway Company: Subsidy and Concessions.

The Canadian Parliament, on behalf of the Canadian people, extended an imposing list of material benefits to the Canadian Pacific Railway Company at the time of its organization in 1881. The basic subsidy comprised \$25 million and 25 million acres of land. The utmost care was taken to assure that the land should be of good quality. The company was not to be required to accept any land that was in the words of the Act "not fairly fit for settlement." The company was also granted the lands necessary for main and branch lines and for its stations, station yards, freight yards, workshops, docks and other structures. According to the contract the government was required to complete the Lake Superior and Western sections of the railway (the lake Superior section extending from Fort William or thereabouts to Selkirk, the Western section from Kamleops to Port Moody) and to convey them upon



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completion to the company, without cost to the company. The Selkirk to Emerson branch, constructed by the government and already in operation by 1881, was included in this grant. The amount of line involved was 713 miles. Estimates of the cost of this line at the time of the ratification of the agreement varied from thirty-five to thirty-eight million dollars. The cost was later placed at \$37,785,320. (See Report of the Royal Commission to Inquire into Railways and Transportation in Canada (Ottawa, 1917) p. xvi.) A number of further concessions were made 36. to the company, each concession of undoubted if indeterminate monetary value. The government agreed to admit free of duty all steel rails and a wide variety of other materials necessary for the construction of the railway and of a telegraph line in connection therewith. All telegraphic apparatus required for the first equipment of the telegraph line was also to be free of duty. The government agreed to a wide measure of tax exemption. Section 16 of the contract provided that:

"The Canadian Pacific Railway, and all stations and station grounds, workshops, buildings, yards and other property, rolling stock and appurtenances required and used for the construction and working thereof, and the capital stock of the company, shall be forever free from taxation by the Dominion, or by any Province hereafter to



established, or by any Municipal Corporation therein; and the lands of the Company, in the Northwest Territories, until they are either sold or occupied, shall also be free from such taxation for 20 years after the grant thereof from the Crown."

Section 15 of the contract (later commonly known as the monopoly clause) prohibited for twenty years the construction of any line of railway to the south of the Canadian Pacific Railway.

THE CHAIRMAN: On which there has been much litigation.

THE WITNESS: Yes, very much.

COMMISSIONER BALCH: Is this still in effect?

THE WITNESS: Yes. I think I am correct

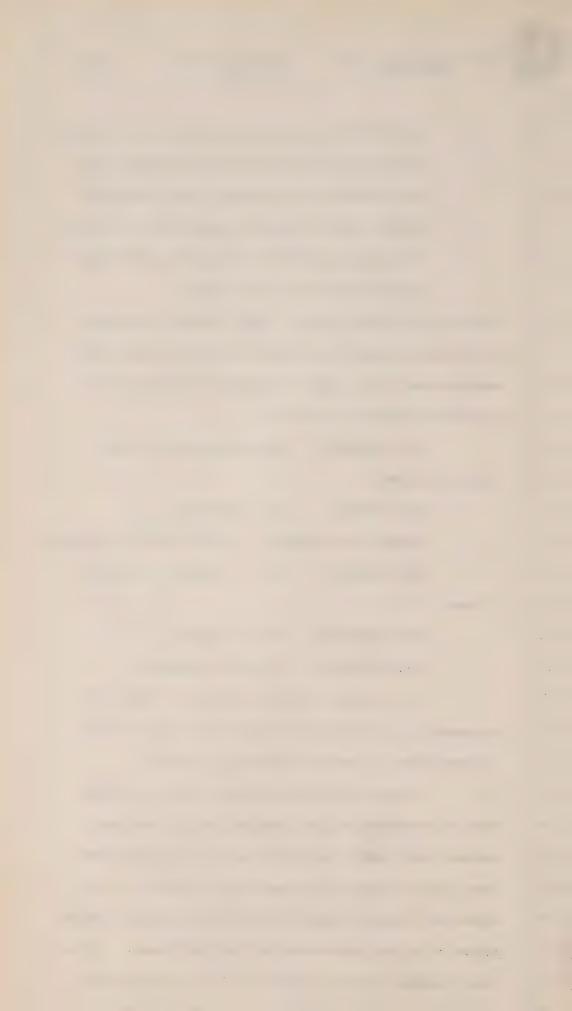
in that.

THE CHAIRMAN: That is right.

THE WITNESS: All the way through.

. . . except for any line which might run southwest or to the west of southwest and not within fifteen miles of the international boundary.

37. Along with the more specifically pecuniary
benefits extended to the Canadian Pacific Railway
Company there went a generous measure of permission.
Among other things the company was permitted to construct and operate branch lines and to engage in naviogation of inland waters and on the high seas. In a final blanket clause (Section 4 of the articles of incorporation) the company was granted "all the



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cost of failure.

it to accomplish its purposes.

38. The wealth of patronage and privilege extended to the Canadian Pacific Railway Company at the time of

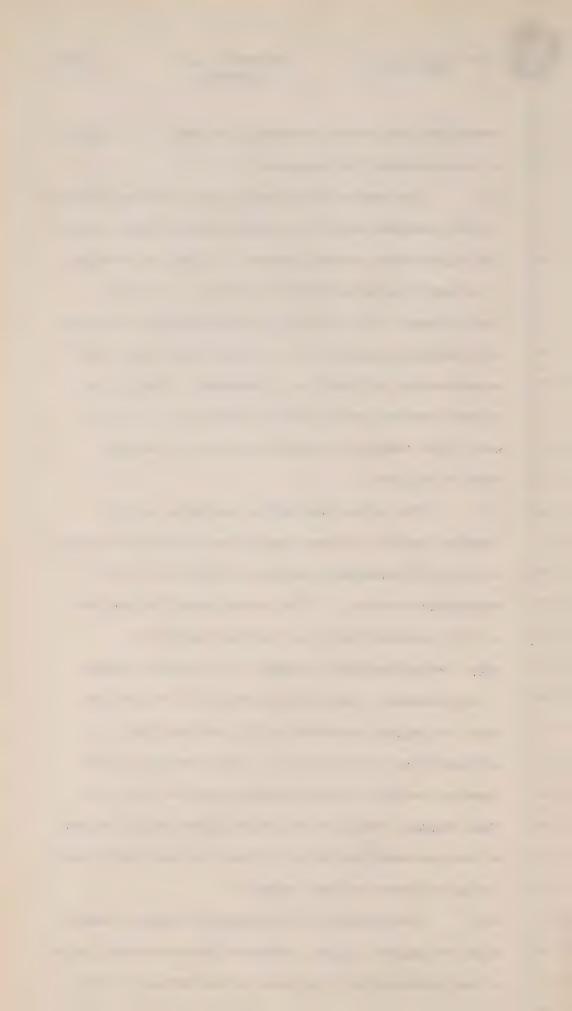
franchises and powers necessary and useful" to enable

to the Canadian Pacific Railway Company at the time of its organization clearly removed it from the category of ordinary private-enterprise railway companies.

The purposes which rendered its organization necessary were national purposes, of extraordinary import and exceptionally difficult of attainment. The price to the Canadian people for the assurance of success was little enough in comparison with the certain

39. The unique and public character of the
Canadian Pacific Railway Company was recognized in its
articles of incorporation with reference to the
regulation of rates. The Consolidated Railway Act
of 1879 provided that the Canadian Parliament
might reduce the tolls charged by a railway company
if the company's earnings exceeded fifteen per cent
upon the capital expended in its construction.
Section 20 of the articles of incorporation of the
Canadian Pacific Railway Company provided that, for
that company, the rate reduction figure should be set
at ten per cent instead of fifteen per cent as it was
for an ordinary railway company.

40. The Minister of Railways and Canals, Honourable Sir Charles Tupper, stressed the exceptional rigor
of the rate-control provision in his defence of the
charter of the Canadian Pacific Railway Company in the

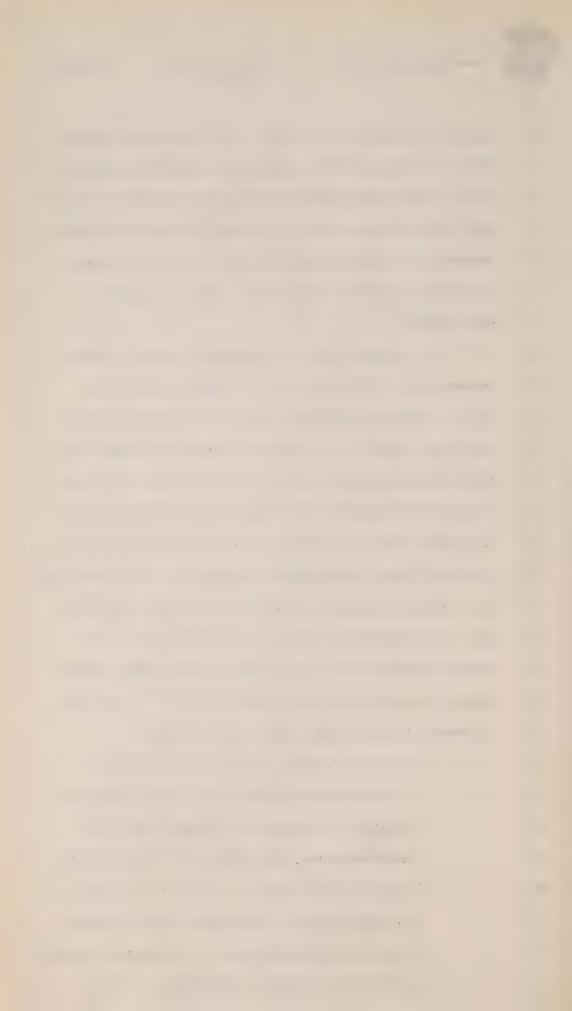


Canadian Parliament in 1880. The Honourable Edward Blake, speaking for the Opposition, however, pointed out that the exceptional restriction imposed by charter upon the earning power of the Canadian Pacific Railway Company was little enough in view of the exceptional privileges extended by the same legal instrument to the company.

(Canada, House of Commons, Debates, 1880-81, December 15, 1880, pp. 98-99. Joseph Gilpin Pyle in his biographical study, The Life of James J. Hill (New York, 1936), I, 326, drew a contrast between the Great Northern which "built up the country as it grew, occupied strategically the whole region through which it passed" and the Canadian Pacific Railway which was, in Pyle's view, "a government enterprise, concentrating on a single through line, whose purpose was primarily political, and whose value in developing the intermediate country was to be realized only slowly through the next twenty-five years (after 1885)." As cited in Howay, Sage and Angus, op. cit., p. 242.)

"I need hardly observe that this corporation stands in a somewhat different position relatively to Parliament and to the country from the great mass of railways in Canada.

The great mass of railways in this country have been constructed out of resources mostly provided by private individuals. Considerable sums have, from time to time, been



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given by way of aid or subsidy by the Government towards the construction of some lines, but the main portion of the capital of these railway companies is private capital. What restriction you may impose upon private capital so long as you depend upon private capital to take the risk of constructing a railway is one thing; what temptation you may deem it necessary to offer to private capital in order to induce it to enter into that channel is one thing; but the same considerations are not at all applicable to a case in which you say to some individuals; Gentlemen, we will give you as much and half as much again as is necessary to build this railway, and we will let you own it afterwards. It is not the work of private capital at all. These men will, for a little while, until they make some land sales, invest four or five millions which will be recouped to them within a very brief space of time, and then they will have this enterprise without having sunk a dollar of their own money in it, and will have millions of acres besides. In such persons, so situated, who are to run a railway which has been built by the country for them, we may fairly expect more rigid, instead of less rigid, limitations as to



rates and fares, and a corporation, possessing such extensive privileges as these, such privileges for extending lines all through the northwest, and forestalling the construction of competing lines, such statutory privileges for preventing other people from building commercial lines which might interfere with them — on such a corporation, possessing all these advantages, and with no disabilities, we may expect to impose more rigid limitations and regulations as to what they will give to the public for the great deal the public is giving to them."

All of which lends point to the observation of O. D. Skelton in "The Railway Builders" (page 159) that

"... the fact remains that the bulk of the resources utilized in the original building of the road (the C.P.R.) were provided or advanced by the people of Canada. The Canadian Pacific is as truly a monument of public as of private faith."

VI

The Western Route of the Canadian Pacific Railway.

The construction of the Canadian Pacific Railway secured the territories north of the 49th parallel of latitude, from the head of the lakes to the Pacific Ocean, against what would otherwise have been the practical certainty of American occupation.

At least two modifications from the original plans



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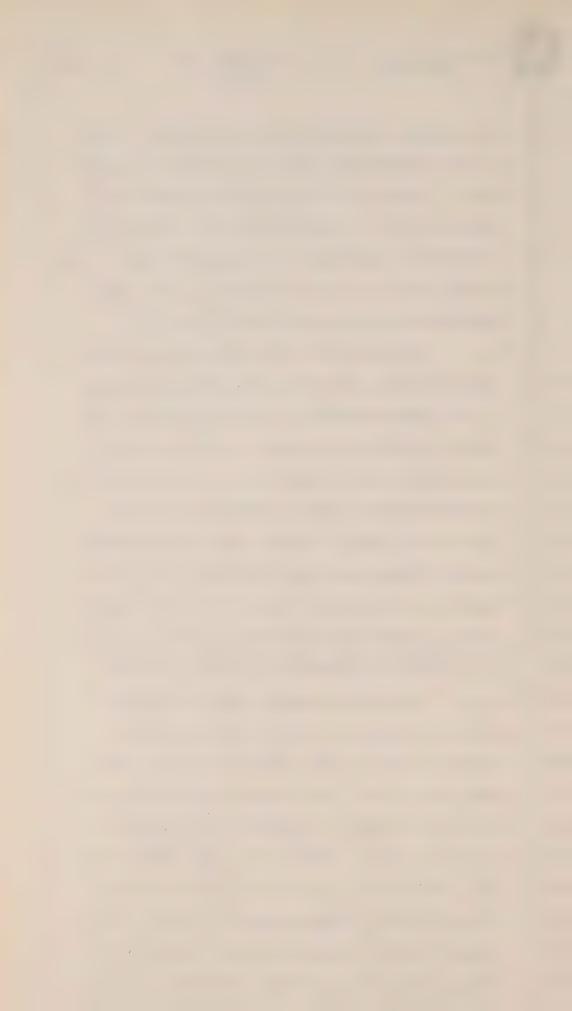
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were, however, necessary to assume this end. First of these was the alteration of the projected western route. Second was the construction of the Crow's Nest Pass line. A brief comment will indicate the circumstances pertaining to the change of route. The factors relating to the construction of the Crow's Nest Pass line require more detailed analysis. The location of the western portion of the 42. Canadian Pacific railway had been established early in the eighteen-seventies to run northwesterly from Winnipeg or Selkirk, following the arc of the Park Belt to Edmonton and Jasper House, thence through the Yellowhead Pass and down the Thompson and Fraser rivers to the coast. At the time that the Canadian Pacific Railway Company was chartered, Selkirk was regarded as the western terminus of the Lake Superior section, and Kamloops as the eastern terminus of the western section, while the intervening territory was to be crossed according to the original location. 43. In 1882 the company secured legislative permission (45 Vic. c. 53) to link Selkirk with Kamloops "by way of some pass other than the Yellow-Head Pass, provided that the pass be not less than hundred miles from the boundary between Canada and the United States of America." When completed in 1885, the western portions of the Canadian Pacific Railway ran from Winnipeg (instead of from Selkirk) westward to the Kicking Horse Pass, through the locations of the cities of Regine and Moose Jaw Instead

of Saskatoon and through Calfury instead of Edmonton.





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Evidence is not available to prove con-44. clusively why the western lorstion of the Canadian Pacific was changed. The route finally selected was some eighty miles shorter than that of the original survey. This was by no means a clear advantage, however, in new of the markedly increased difficulty of the construction and aperating problems entailed by the substitution of the Kicking Horse for the Yellowhead Pass. Furthermore, the route of the railway as finally selected lay through the heart of the semi-arid plains rather than through the adequately watered Park Belt. The company declined to accept any part of its land grant along its main line west of Moose Jaw on the ground that its charter excused it from accepting any lands "not; fairly fit for settlement." It did, of course, acept by special arrangement in 1903 a compact block comprising some 2,900,000 acres between Medicine Hat and Calgary in which it specifically proposed to develop an irrigation project.

Canadian Pacific Railway Company lay roughly

parallel to the boundary and, for more than half !

the distance, not more than one hundred miles within

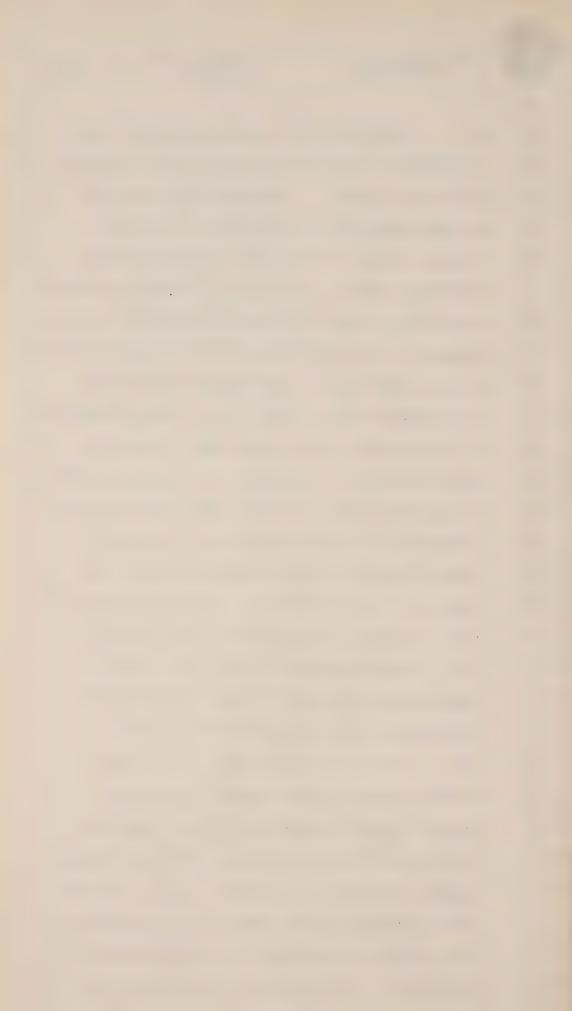
Canadian territory. Of all the factors associated

with the change of plans this may well have been the

most important determinant as it certainly was in

the result. The original survey had left the

central Canadian plains expessed to possible



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American occupation to a depth ranging up to three hundred and Cifty miles. The Northern Pacific Railway, halted at Bismark, North Dakota, at the time of the financial grash of 1873, was reorganized by 1879 and was completed to Puget Sound by 1883. The J. J. Hill syndicate acquired the St. Paul and Pacific from the Northern Pacific, reorganized it as the St. Paul. Minneapolis and Manitoba Railroad, and in the early 1880's began to expand north and west. The intention of this syndicate, reorganized as the Great Northern Railway in 1891, was to build between the Northern Pacific Railway and the Canadian boundary in order to capture not only the American trade but the Canadian trade as well. The construction of the Canadian Pacific Railway across the Canadian plains close to the American boundary may well be the only thing that prevented American absorption of the entire region which now comprises the Canadian prairie wheat economy. Although both the Northern Pacific and the Great Northern have branch lines projecting into the Canadian Plains area these railroads were not able at any time to establish effective economic occupation of the region.

## VII

Early Development in the Kootenay.

46. All Canadians are aware in at least a general way of the great rineral wealth lying in the mountain valleys and on the mountain ledges of southern British Columbia. The contribution made by the





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minerals of this area to Canadian presperity and to the economic development of the nation are matters of common knowledge. Since these areas lie to the north of the American boundary and thus within Canadian territory, it is taken for granted in retrospect that their economic development should have constituted a force in Canadian economic development and that their prosperity should naturally have diffused itself beneficently throughout the Canadian economy. economic development of the Kootenays did stimulate economic development in other parts of Canada and the prosperity engendered by the mineral discoveries in southern British Columbia did to some extent buoy up the Canadian economy: but neither of these results was effected obviously or naturally. economic development of the southern mountain valleys of British Columbia powerfully illustrates the wellknown observation that Canada is a nation in spite of geography.





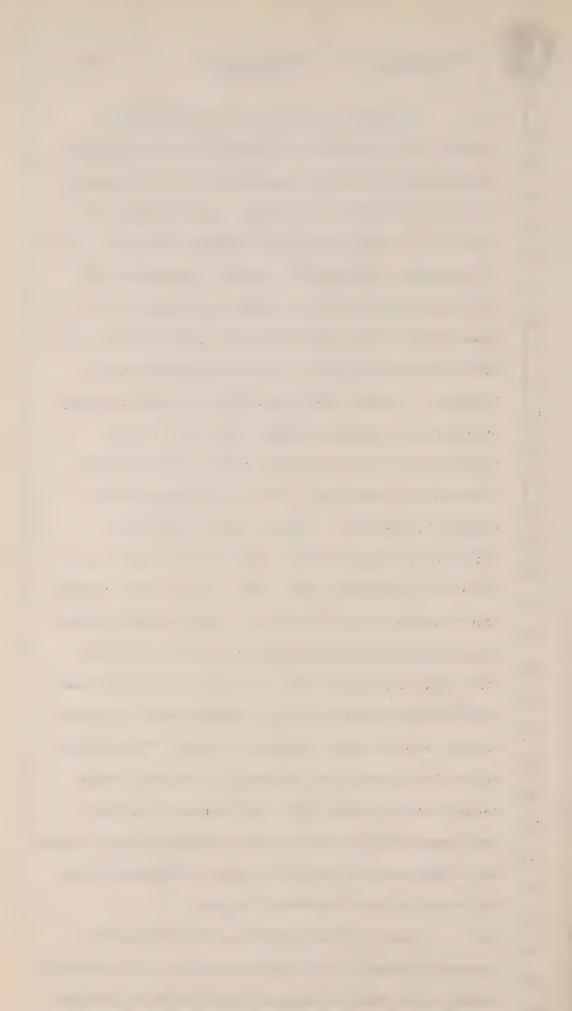


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47. The main ridge of the Rocky Mountains
crosses the international boundary in a north-westerly
south-easterly direction approximately four hundred
miles from the Gulf of Georgia. Lesser ranges - the
Selkirks, the Gold Range, the Monashee Mountains - form
an irregular and serrated isosceles traingle in the
Rocky Mountain Trench, a gigantic geological fault
immediately to the westward of the Rocky Mountains in a
broad range of latitude astride the international
boundary. Between the ranges are the mountain valleys
which extend southward beyond the border the
Kootenay valleys, the valley of the Columbia, which
contains the Arrow Lakes, and the Okanagan valley
farther to the west. The main valleys without
exception contain navigable water systems made up of
rivers and elongated lakes. Even if such water courses
were situated on the plains they would provide natural
communication and transportation routes which would
link each individual valley throughout its length and
with the regions at either end rather than with other
valleys or with areas laterally located. The valleys
of British Columbia are separated by mountain ranges
rather than by plains. This fact serves to multiply
one hundred fold the difficulty of lateral communication
and emphasizes the comparative ease of movement along
the course of each individual valley.
48. Lower British Columbia, from its eastern

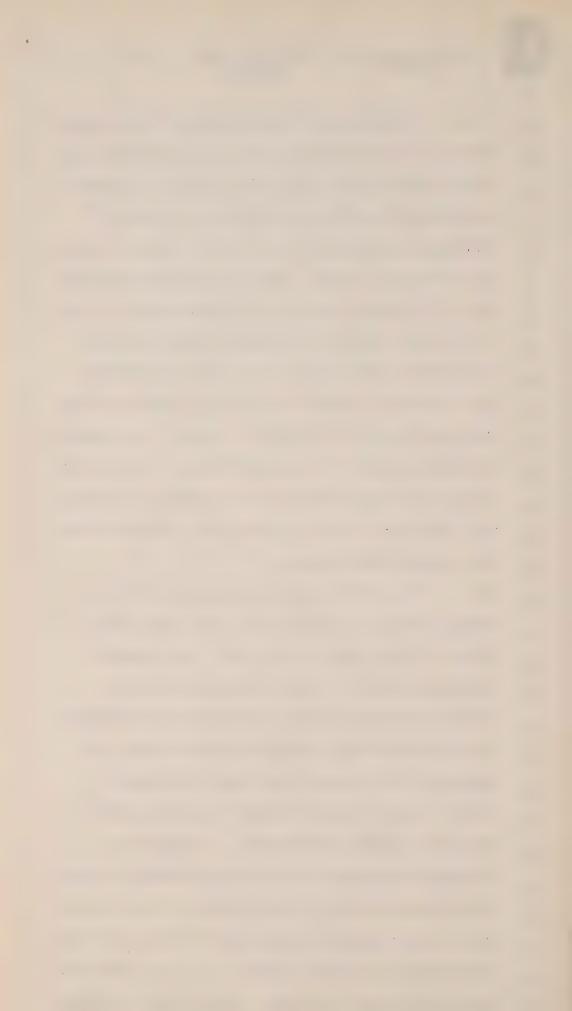
boundary, marked by the Rocky Mountains, to its western

limits on the Gulf of Georgia, abuts on three American



States -- Montana, Idaho and Washington. The mountain valleys are international valleys, isolated from each other, from the coast and from the plains by equally international intervening mountains. The valley containing Kootenay Lake is, in fact, a pocket opening into the United States. The entire Kootenay-Columbia area is an integral part of the "Inland Empire," which is ordinarily and most mistakenly presumed to exist exclusively in the States of the Pacific Northwest with a northern boundary miraculously coincident with the 49th parallel of latitude. Sopkane is the matural distributing point of the Inland Empire, to the north as well as to the south of the international boundary. The latter fact has been patently true at least since the coming of the railways.

19. The earliest mineral discoveries in the lower interior of British Columia were made well in advance of the coming of the steel. The economic interrelationships of this region were already exclusively with the States of the Pacific Northwest although Spokare had as yet attained no unique preeminence. The prospectors who made the earliest mineral strikes in lower British Columbia entered the territory from the United States. Prospectors ascending the Columbia River from the American Pacific coast discovered gold at the juncture of the Columbia and the Pen d'Oreille rivers, just to the north of the international boundary, in 1055. The region was not intensively worked for another decade, but prospectors



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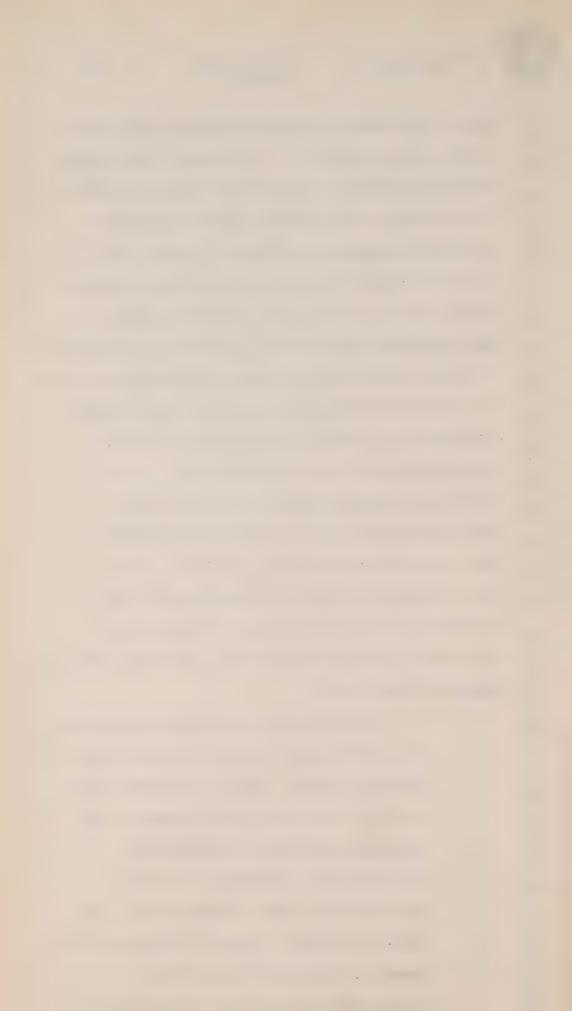
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working from American territory made gold discoveries in the eighteen-sixties. An historian, Judge Howay of British Columbia, describes the early development of the Kootenays and indicates clearly the extent of American occupation as follows: (Howay, F.W., British Columbia: The Making of a Province (Toronto, Ryerson, 1928), pp. 165, 167. Eisewhere, Judge Howay describes the gold rush of 1854-63 to the Kootenay as "almost entirely American and," he adds, "as it links up closely with mining development in Idaho, Montana, and Washington, it may be considered part of the northward thrust of the 'Inland Empire' .... it was American, through and through, except for the administration of justice and the gold export tax." Howay, Sage and Angus, op cit., pp. 266-7. For a detailed analysis of the early development of the Kootenay region see A.R.M. Lower and H.A. Innis. Settlement and the Forest and Mining Frontiers, Part II (Toronto, 1936), Ch. V.

"In 1864, just after Cariboo had passed its zenith, placer mining developed in the Kootenay country. Away in the southeastern corner of the colony, and separated by the Selkirks and the Gold Range from the remainder, this mining was in no way associated with that of Fraser River, Rock Creek, or Cariboo. It was an offshoot of the mining in Montana and Idaho; their prospectors discovered its riches; their



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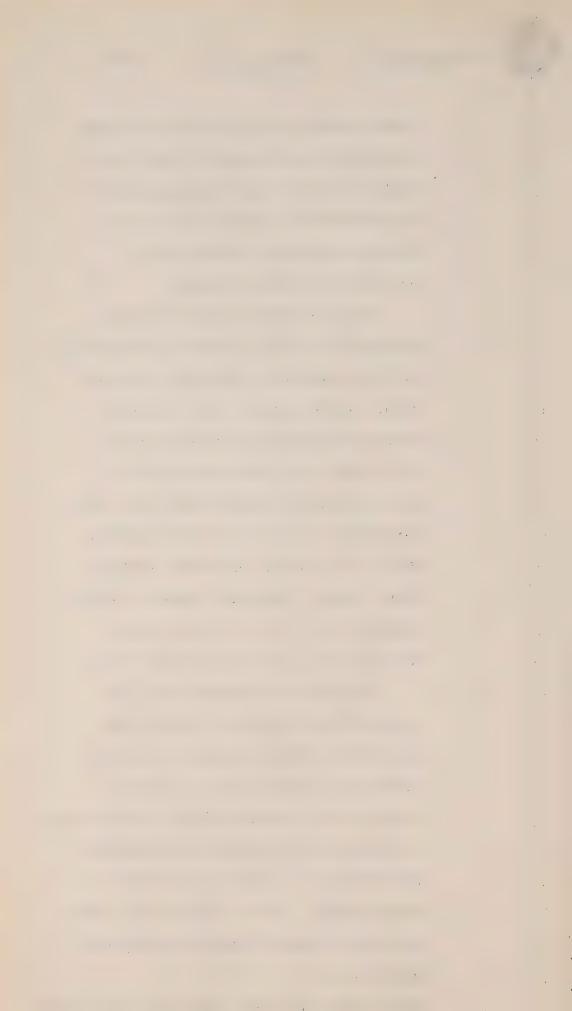
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miners worked its creeks; and their towns practically monopolized its trade. The region lay remote from the commercial and governmental centres of the colony (British Columbia); but was easily accessible from the southward.

Hope was about five hundred miles distant by a circuitous trail, some portions of which were quite impassable. Lewiston, Idaho, on the contrary, was less than three hundred and fifty miles away, and Walla Walla only about four hundred. In 1864 a traveller records having met, daily, ten or twelve pack trains from Lewiston, Walla Walla, Wallula and other American towns, heavily laden with supplies for the Kootenay mines. The beef cattle were driven all the way from Salt Lake City ....

It must not be supposed that the colony (British Columbia) did not make an effort to obtain the trade of its own territory. It did. But Geographical conditions are imperious and by the time that a trail had been surveyed and constructed from Princeton...the season of 1865 was almost ended. In 1866, when it was ready for use, Wild Horse Creek was practically deserted...."



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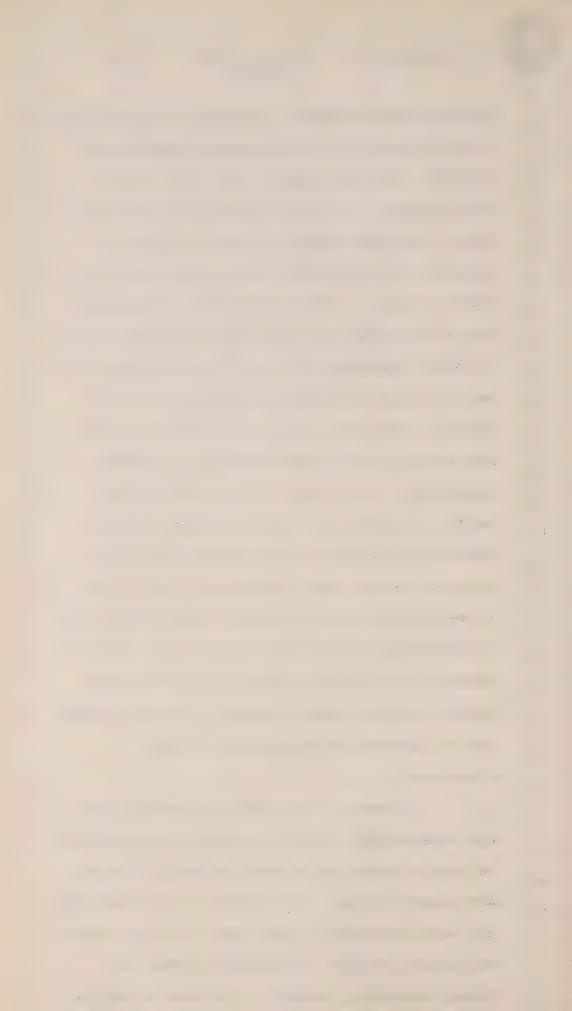
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eastern British Columbia a significant place in Canadian economic history came in the eighteen-eighties and nineties. The development of these discoveries entailed quartz, or lode, mining rather than placer mining, and gave prominence to the production of silver and the base metals, lead, copper and zinc, instead of gold. The original find of silver-lead ores at Ainsworth on the east shore of Kootenay Lake in 1882-83 coincided with -- but did not depend on -the completion of the Northern Pacific, the first railway to reach the coast in the Pacific northwest. The discovery was made and developed by American propsectors. At Sand Point, Idaho, the Northern Pacific was little more than fifty miles from the international boundary in the Kookenay area and a scant forty miles across country from Bonners Ferry on the Kootenay River. At Bonners Ferry cargo could be transshipped to boats for transportation down the Keatenay River (flowing northward from Idaho toward Kootenay Lake in British Columbia) and along Kootenay Lake to Ainsworth and the location of later discoveries.

were delayed until 1880 by a variety of circumstances including a murder and an execution and by lack of developmental equipment and capital. After that date substantial shipments or orest went to smelters across the boundary at Butte, and Helena, Montana, and Tacoma, Washington. Meanwhile, the rush of American



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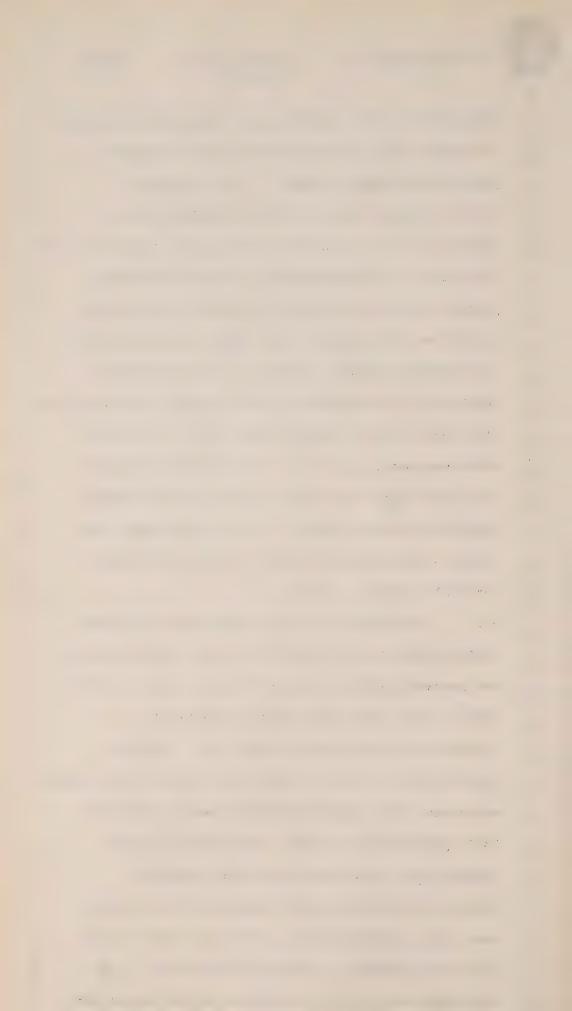
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prospectors to the Kootenay area resulted in a series of tremendously rich discoveries which included particularly the following: the discovery of silver-copper ores in 1886 on Told Mountain (five miles from the site of Melson, the city which owed its origin to the development of the Toad Mountain properties); the discovery of gold and copper ores in 1889 on Red Mountain, near Trail Creek and close to the boundary (on Ross! land or the Rossland which developed in consequence); the discovery of silver-leadzinc ores in the Slocan district, 5000 to 7000 feet above sea-level, in 1891; the discovery of coppergold ores in the same year in the Boundary district, separated from the Kosten . by the Gold Range; and, finally, the discoveries of 1 -silver-zinc ores in the East Kootena in 1892.

various finds began in the 1390's and continued into the present century. Many of the mines and, in some cases, entire areas were well on the way to exhaustion before the First World War. During a decade or two of active production, however, even those which wer early exhausted yielded great profits to their promoters and owners. For certain of the products and for certain mines the technical problems of extraction and separation form complex ores long avaited solution. This was true of zinc for which commercially feasible extractive care applicable to quantity production in the region were



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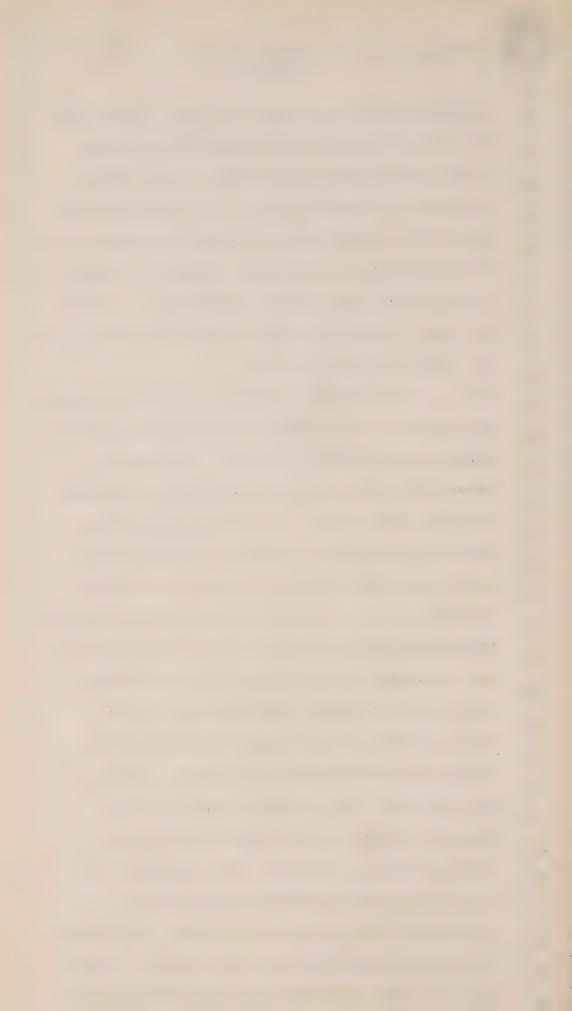
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notpersected until the First Worli War. It was also true of certain entire ore deposits such as those of the Sullivan mines at Kimberly in East Kootenay. Satisfactory extractive processes for the complex crebody of this property were first put to use during the First World War. This mine has continued in active production and ranks as one of the forement of not the first, producer of lead and zinc in the world, and as a major producer of silver.

53. The extraction of silver and the base metals as essential to the mineral operations of the Kootenay required smelting which, in turn, imposed heavy demands for capital and for transportation facilities. Ores from the Kootenays first went, of necessity. exclusively to American smelters in such places as Butte, Helena and Great Fells, Montana, and Tacoma, Washington. The inadequacy of transportation facilities and the costs entailed in the movement of unprocessed ores stimulated the establishment of concentrators and smelters on Canadian territory, close to the producing mines. Within a decade starting in 1091, melters were established at Revelstoke, at Pilot Bay, Nelson and Trail in the Kootenays, and at Greenwood, Grand Forks and Boundary Falls in the Boundary district. With one or two exceptions such as that of the Hall Brothers at Nelson these smelters were built by American capital. The location of smelters comparatively close to the mines reduced but by no means eliminated the transportation problem.



The smelters required coke and limestone, and

smelting and mining communities alike required

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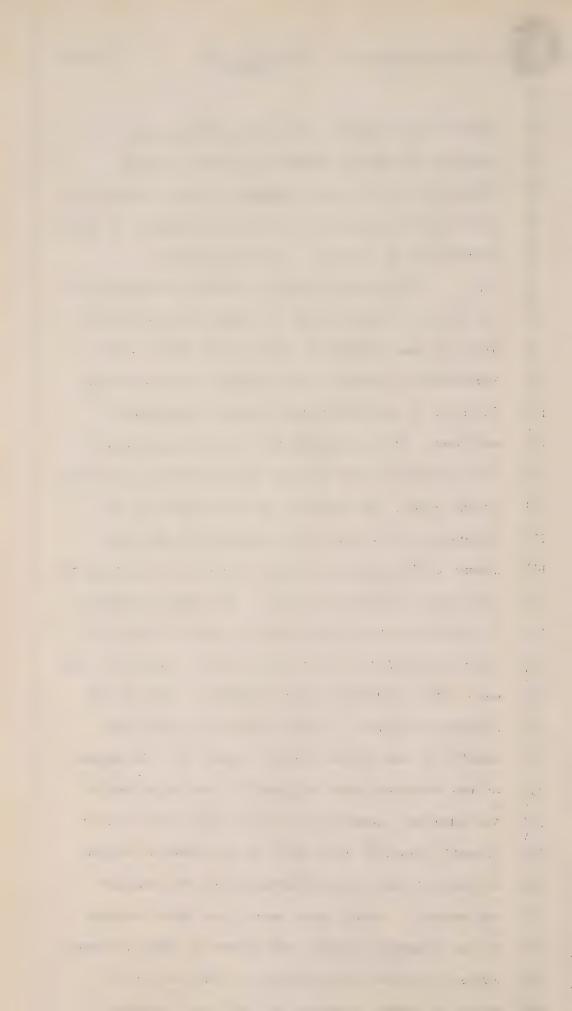
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transportation services adequate for the movement of heavy capital equipment and of the multitude of life's necessities in endless, insistent demand. 54. The Northern Pacific Railway, completed to the coast in 1883, jutted to within fifty or sixty miles of the boundary at Sand Point, Idaho, and substantially reduced the reliance of the Kootenay district on pack train and overland stage-coach services. The ensuing decade saw the completion of the Canadian Pacific and the Great Northern main lines to the coast. The Canadian Pacific passed by the Kootenays to the north, the builders of the road intent on the single immediate purpose of reaching the coast with a minimum of delay. The Great Northern, on the other hand, was built, it might be said, as close as possible to the international boundary. Its main line, therefore, runs through the base of the Kootenay district. To make doubly sure that the traffic of the region would be drawn into the sphere of the Great Northern Railroad in particular and of the American commercial and servising facilities in general, James J. Hill built or purchased a series of feeder lines running northward to the boundary and beyond. Among these were lines which reached to the Boundary district and Nelson in 1895; to Grand Forks in 1903-4; to Morrissey in 1903 and on to Fernie in 1905; to Midway in 1906; and to Princeton in



1909-10. (In the middle nineteen-thirties the Great
Northern Railway operated to or through a dozen
border gateways; in the state of Washington alone the
Great Northern crossed the border at seven points at
that time. See W.J. Wilgus, The Railway Interrelations
of the United States and Canada (New Haven and Toronto,
1937), p. 131 and map opposite p. 124. All these
were designed to draw the outward and inward traffic
of southern British Columbia into a central focus
upon Spokane.

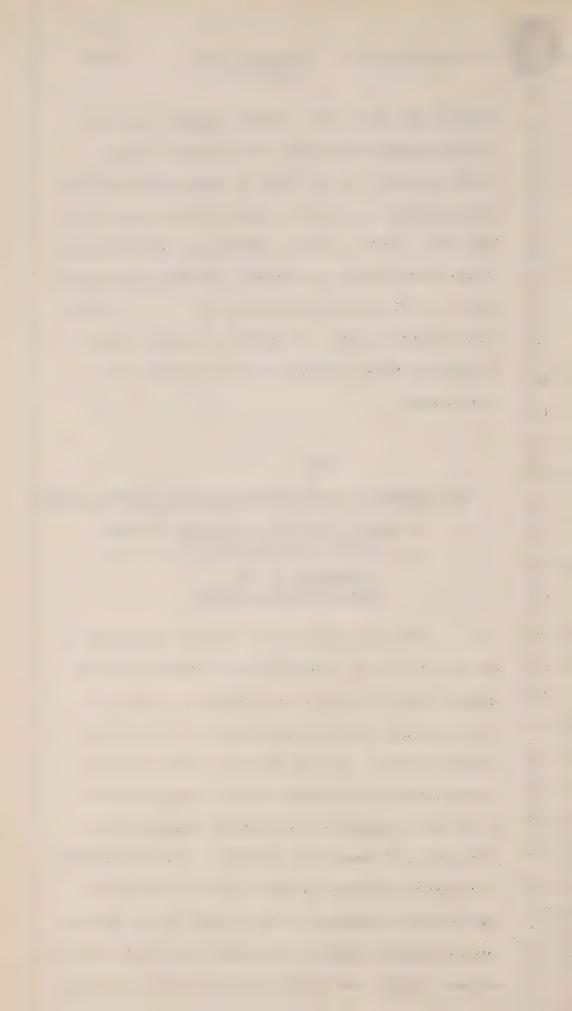
## VIII

## EARLY EFFORTS OF THE CANADIAN PACIFIC RAILWAY COMPANY

TO REPLACE AMERICAN DOMINATION OF SOUTH EASTERN BRITISH COLUMBIA:

## EMERGENCE OF THE CROW'S NEST PASS PROJECT

the late 1880's the Canadian Pacific Railway Company exerted itself to assert and establish a claim to the profitable traffic originating in south-eastern British Columbia, a claim that was rendered tenuous in the extreme by the harsh facts of geography and by the prior occupation of American transportation, processing and commercial interests. The establishment of commercial mastery in this area was a matter of the greatest importance to the Company in its private, revenue-seeking capacity. The much broader question, of national import, was whether southern British Columbia



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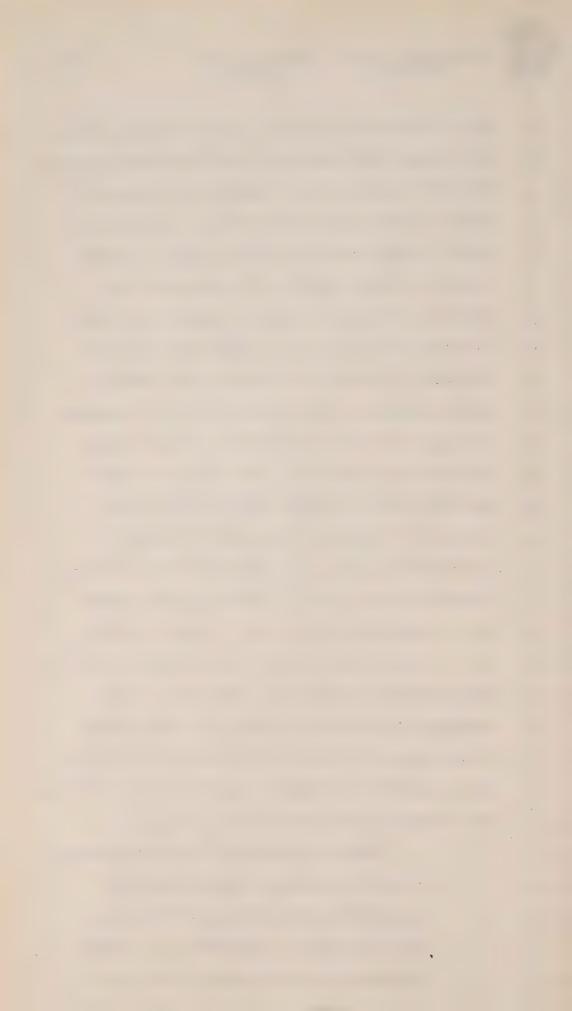
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was to constitute an integral part of Ganadian economic life or merely an extension of the hinterland of Spokane and, more remotely, of the industrial and financial centres of the eastern United States. The Canadian Pacific Railway Company had ample interest at stake to justify maximum effort on its own behalf. The national interest was so great, however, that there was little likelihood of the company being left by the Dominion government to shoulder the financial burden unassited. The national policy which dictated the original generous subsidization of the Canadian Pacific Railway Company in order that the western territories and the coastal region should not be lost to the United States contained the obvious imperative that public lands and funds should not be stinted at a later date if requested by the company for the preservation of national economic interest. In 1889 the officers of the Canadian Pacific Railway Company recorded their recognition of the importance of diversity of traffic for the assurance of their earnings position. The Annual Report of the company for that year stated: (Canadian Facif & Railway, Annual Report for the year 1889, pp. 12-13.)

"While the results of the harvests will always be a matter of great importance as affecting the earnings of the railway, the past year has shown that it is already comparatively independent of the crops of any one province of any one season. This is



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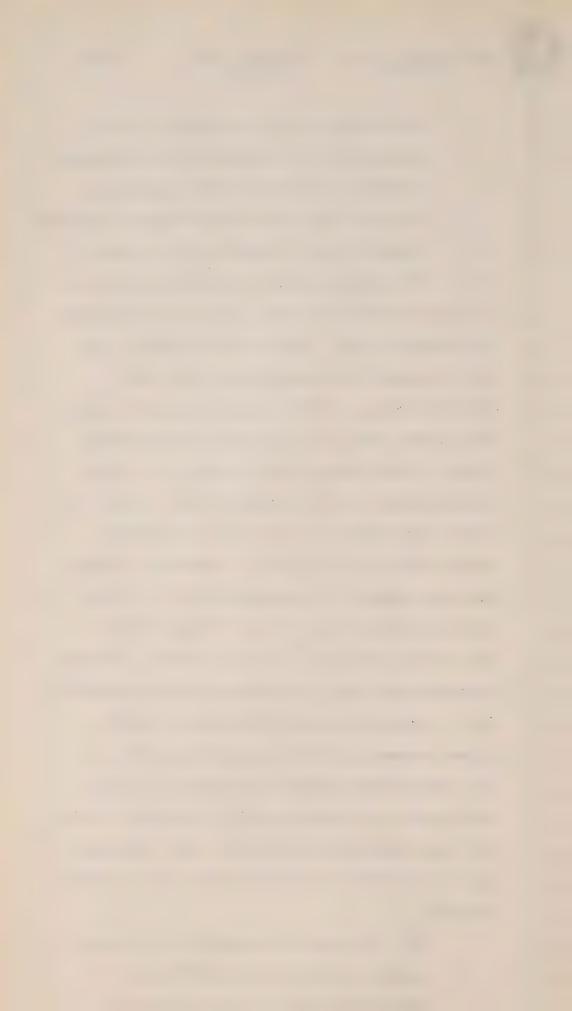
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in part due to the vast extent and great diversity in the character of the territory covered by the lines of the company,.... in part to the development of mining and other industries not affected by local causes..."

The Company was specifically interested in

57. the mineral developments taking place in the Kootenay and Columbia valleys. There were two problems, the first to improve the transportation facilities within the region, and the second to link the region with the main line of the Canadian transcontinental railway. Local transportation required the linking of the Columbia and the Kootenay valleys by rail. As for the link between the region and the Canadian Pacific main line, this could be effected by joining the Arrow Lakes to the transcontinental by a short, north-south branch line, or by building westward from a point on the main line on the plains, through the Crow's Nest Pass to the Kootenay mining territories. 58. From 1889 to 1896 the Canadian Pacific Railway Company was active in securing control of local transportation within the Kootenay-Columbia 6 8 22 territory and in establishing rail connections between their main line and the Upper Arrow Lake. The Annual Report of the Company for 1209 contains the following statement: 3

> "To prevent the invasion, by foreign lines, of the Kootenay District, in British Columbia - a district rich in

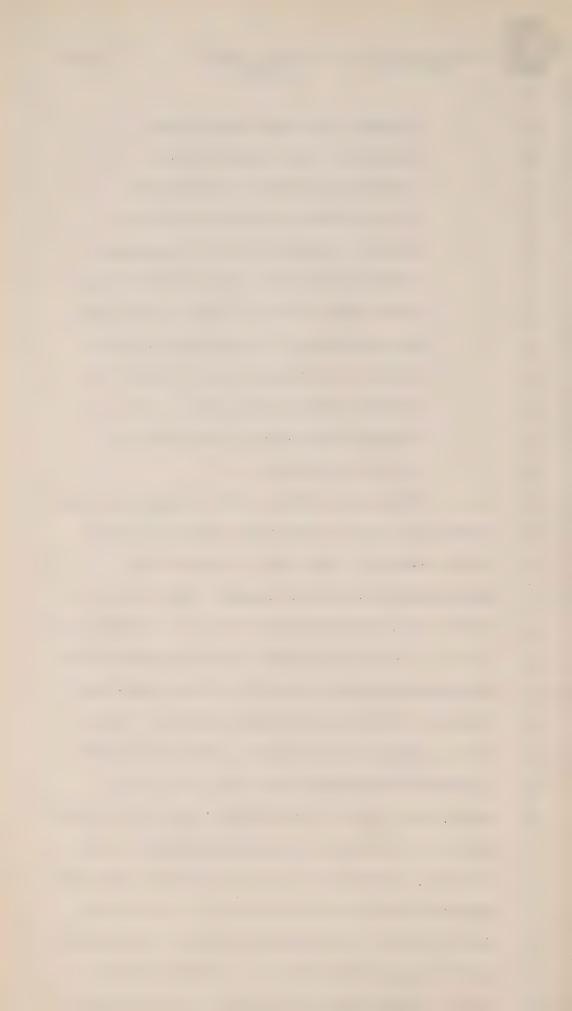




## ANGUS. STONEHOUSE & CO. LTD. Britnell, dir. toronto. ontario (Carter)

resources - your directors have
secured the control of the charter
of the Columbia and Kootenay Railway
Company, and agreed with the Provincial
Government that the railway shall be built,
about thirty miles in length, during the
present season, to connect the navigable
waters of Kootenay Lake with those of the
Columbia River, thus opening a line of
steamboat and railway communication of
more than 250 miles...."

To assure control of the steamboat portions: 59. of this route the Canadian Pacific Railway Company in 1890 leased for 999 years the Columbia and Kootenay River Navigation Company. (Innis, H.A., A History of the Canadian Pacific Railway, (Toronto, 1923) p. 141). In 1893 the company leased the Nakusp and Slocan Railway which connected the Upper Arrow Lake at Nakusp with the Slocan mining district. (Ibid., pp. 141-2. And the following item: "You will be asked to approve an agreement for a lease of a line of railway from Nakusp, on the Upper arrow Lake (Columbia River), to the Slocan silver-mining district, about 34 miles .... This short line of railway will be a root important factor in the development of the kootenay District, and it is expected to create a considerable traffic for your main line .... " Canadian Pacific Railway, Annual Report for the year, 1893,pp.13-14.)



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Between 1893 and 1896 a branch was built from the main line of the Canadian Pacific Railway at Revelstoke to Arrowhead on the Upper Arrow Lake. (Innis, op. cit., p. 142. President Van Horne explained the necessity for this line by indicating that the Columbia River between Revelstoke and the head of Arrow Lakes had proven navigable for only about three months in the year. The line was therefore necessary "to cover this section and maintain connection with your Columbia and Kootenay Railway. upon which the protection of your interests in Southern British Columbia depends." Canadian Pacific Railway, Annual Report for the year 1892, P. 11.) Over the same years the Company constructed and acquired various short lines to serve the mining area more effectively.

to the desirability of a rail line linking the

Kootenay with the main line of the Canadian Pacific

Railway by way of Crow's Nest Pass. In the first

place, such a line would give an all-rail entry

to the region from Canadian territory while the link

at Revelstoke was rail-lake-and-rail, with the

resultant necessity for transshipments. Second,

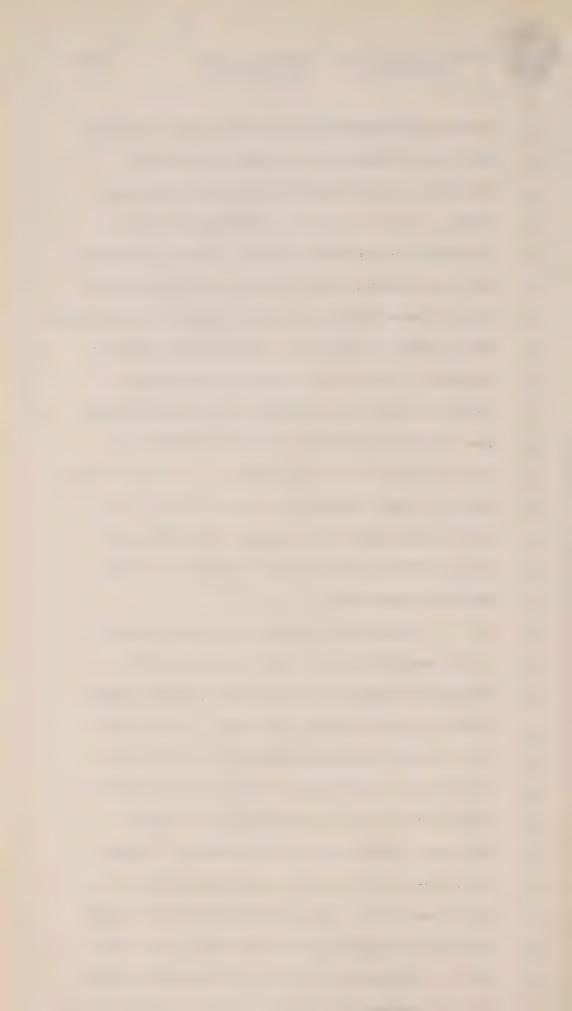
great resources of cooking coal were found at the

Crow's Nest Pass. Third, rail connections already

extended from the Prairies toward the Crow's Nest

Pass in a line built in 1885 by the Alberta Railway

and Coal Company from Dunmore, Alberta, to Lethbrid.



for the development of properties in the Lethbridge region. In 1892 the Dominion Government made statutory provision for the extension of this line through the Crow's Nest Pass to Hope, British Columbia. The Canadian Pacific Railway Company envisaged the absorption and extension of this line. The Annual Report of 1892 contains the following statements: (Canadian Pacific Railway, Annual Report for the year 1892, p. 12).

"Negotiations are pending with the
Alberta Railway and Coal Company for the lease and subsequent purchase of that
Company's line extending from Dunmore to
the coal mines at Lethbridge, 109 miles.
Your authority will be asked to lease the
line in question at a rental of 40 per
cent of its gross earnings on 1ts being
brought to your Company's standard, and to
purchase it on or before December 31st,
1897, at the rate of \$9,000 per mile. This
line will be necessary to your Company in
the event of the construction of a line
through Crow's Nest Pass, and in any case
it will be quite self-supporting."

- 61. The lease and option were entered into on June 1, 1893.
- item to the shareholders of the Canadian Pacific:

  "In order to protect the Company's



(Ibid., for the year 1893, p. 14).

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interests in the Crow's Nest Pass your directors found it expedient to expend \$66,256.18 on surveys, etc., during the year, and for similar reasons, to expend \$16,163.30 in surveys of other lines...."

By 1896, therefore, the Canadian Pacific
Railway Company had contemplated the construction
of the Crow's Nest Pass railway for several years.
Its construction could not be postponed indefinitely.
In February, 1897 the directors of the Company
reported: (Annual Report of the Canadian Pacific
Railway Company for the fiscal year ending December
31st, 1896, pp. 9-10).

"The Company has been at a great disadvantage in reaching the traffic of the mining districts of Southern British Columbia in having to depend upon steamboat connections controlled by other parties. The rapid growth of the traffic, the high rates exacted, and the inadequate service performed, led your directors recently to negotiate for the purchase of the traffic property of the Columbia and Kootenay Navigation Company, consisting of seven steamboats, ten barges, mechanical shops, office buildings, perchauses, etc., and to put under contract for immediate construction



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on the Arrow and Slocan Lakes...

But even with these important
additions to its facilities for handling
the traffic of the mining districts, your
Company will continue at a disadvantage
in competing with the American lines
(which have already reached Nelson, Rossland
and other important centres in these districts)
until it shall have direct railway
connections of its own. Until then the
greater part of the mining traffic will
be beyond its reach, and will continue to
be, as at present, carried by the
American lines southward.

your directors are strongly of the opinion that any delay in securing your interests in that direction will be extremely dangerous, - that unless your Company occupies the ground others will, the demand for shipping and travelling facilities being most urgent. The directors feel that they cannot too strongly urge the immediate construction of a line from Lethbridge to a connection with your Columbia & Kootenay Railway at Nelson, a distance of 325 miles, and anticipating your approval, they have already taken steps towards commencement



the first reference made in such reports to the

construction of the Crow's Nest Pass line. The

possibility of government assistance in the

Dominion Government."

of the work on the opening of spring."

The same Annual Report (for 1896) carries

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of the Kootenay district and had been incorporated by the legislature of British Columbia in 1888 The company was reincorporated as the British

reference appears in the following words: "The interests of the country at large are so much concerned in this question (of a Crow's Nest Pass railway) that your directors confidently expect reasonable assistance at the hands of the

(Ibid., pp. 10-11).

65. The Crow's Nest Pass line was built from Lethbridge to Kootenay Landing in the years 1897 and 1898. The Canadian Pacific Railway Company purchased the line of the Alberta Railway and Coal Company from Dunmore Junction to Lethbridge in 1897 and immediately began construction westward toward the Pass. In April, 1898, the shareholders of the Canadian Pacific Failway Company ratified a perpetual lease, effective January 1, of the works of the British Columbia Southern Railway Company. This company had been organized by a group of residents as the Crow'Nest and Kootenay Lake Railway Company. Columbia Southern Railway Company in 1891. In 1890



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there had been a move, favoured by the provincial legislature, to allow the acquisition of the original company by D.C. Corbin, a promoter from Spokane. with a view to securing a line from the Crow's Nest Pass to the coast. With the British Columbia Southern the Canadian Pacific Rullway Company secured the franchise to build from Crow's Nest Pass to Kootenay Lake (no construction had yet been done) and, in addition, a land grant from the province amounting to approximately three and three-quarter million acres and an additional six square miles of coal lands near the Pass. (Howay, Sage and Angus, op. cit. pp. 254-5; Annual Report of the Canadian Pacific Railway Company for the fiscal year ending December 31, 1897, p. 7. The land grant, originally estimated by C.P.R. at approximately 3,350,000 acres, was 20,000 acres per mile for the construction of 167.8 miles from the British Columbia-Alberta boundary to Kootenay Landing and totalled 3,755,733 acres. For evidence adduced by Canadian Pacific Railway Company concerning the disposition of this land see Royal Commission on Transportation, Transcript of Hearings, Vol. 14, December 9. 1959, pp. 1918-30.). It is clear that the Canadian Pacific Railway 66. Company intended the construction of the Grow's Nest

Pass line for several years before it was finally

constructed and before there was clear assurance

and perhaps even consideration of a government subsidy.





IX

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PARLIAMENTARY DEBATE ON THE CROW'S NEST PASS AGREEMENT

When the Liberals, in 1897, introduced into the House the detailed proposals for a subsidy to the Canadian Pacific Railway Company for the construction of the Crow's Nest Pass line, the Opposition could object to details but could not oppose the main principle. Sir Charles Tupper's government had, in fact, in the last session before the general election of 1896, introduced proposals for a Crow's Nest Pass subsidy to the Company. The Conservative proposals -- tabled in the House but apparently not debated -- had been for a federal subsidy of \$5,000 and a loan of \$20,000, at  $3\frac{1}{2}$  per cent, per mile of the proposed line. (See Canada, House of Commons, Debates, 1897, statement of Hon. Sir Charles Tupper, P. 4530.



When the Liberal Government set the subsidy at

\$11,000 per mile with no additional loan provision the

eppertunity arese to debate the relative generosity

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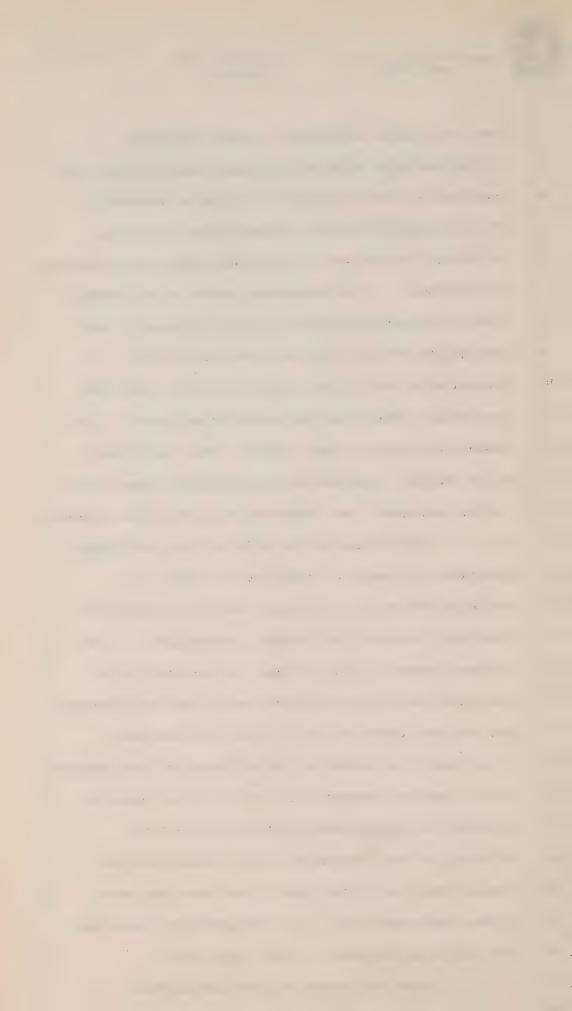
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of the respective sets of proposals and to attempt to justify the one or the other depending upon political affiliation. A few members suggested in the debates that the Conservative offer of a \$5,000 subsidy and lean of \$20,000 per mile was more generous than the Liberal offer of \$11,000 subsidy per mile since the lean would probably not be repaid in any case. The consensus of opinion was, however, that the Liberal offer was more generous to the railway and more onerous to the government, and therefore required to be defended. 68. The defence of the offer of the new Liberal government was made at length by the Minister of Railways and Canals (Mr. Blair) and the Minister of Trade and Commerce (Sir Richard Cartwright). One curious element in this defence was provided by Mr. Blair who insisted, on the one hand, that the Agreement was the best possible one to which the Government could secure the assent of the officials of the Canadian Pacific Railway Company while, on the other hand, he informed the House that he did not believe the officials of the company when they stated that the company would build the Crew's Nest Pass line even without government aid. On this point Mr. Blair made the following statement: (Ibid., page 4514.)

"I know that there has been the opinion expressed that possibly the Canadian Pacific



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Railway would have been able, without assistance at all from the Government, to carry out that undertaking successfully. I know that in the report of a meeting of the shareholders of that company, which was held two months ago, the statement appeared that if the Government did not assist the Canadian Pacific Railway they would take hold of the work themselves without assistance. believe that that statement was not so much the declaration of a fact within the knowledge of the company itself as a statement put forward perhaps for the purpose of creating an impression for other ends, it may be upen public epinion or the Government of the country, and not that the company was in a position to take up the very large outlay involved by the construction of the line; because I believe that neither the Canadian Pacific Railway nor any other company at this time is so well situated that it would be able, without our aid, to construct the work. Therefore I think it is not too much to say that unless the Government came to the aid of any company that was in a position to assume the undertaking or unless the Government underteek to build the read itself, many years would have to elapse before the construction of the Crow's Nest Railway



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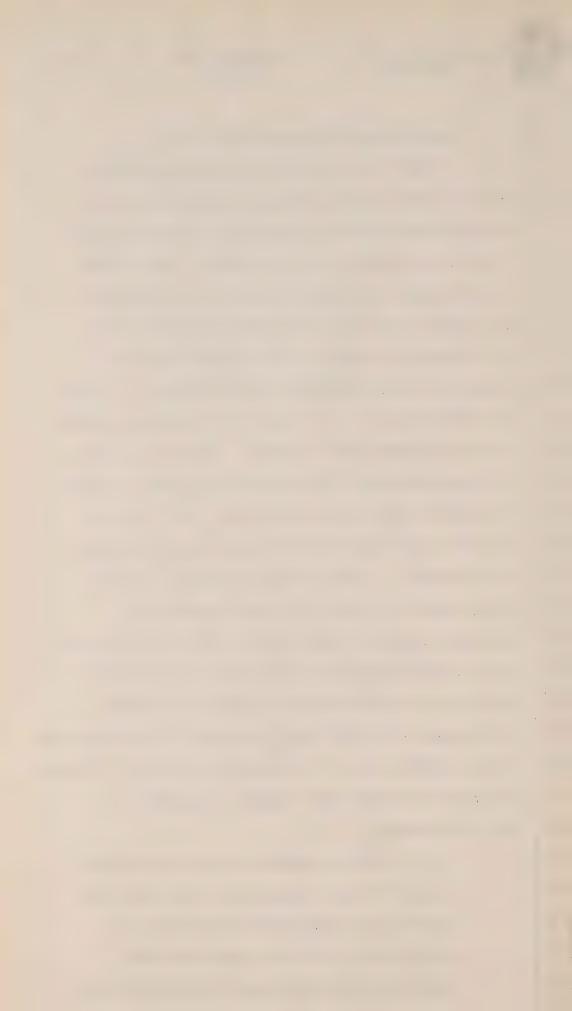
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would become an accomplished fact . . . "

Both Mr. Blair and Sir Richard Cartwright 69. accepted the view that the Liberal subsidy offer was more generous to the Canadian Pacific Railway Company than the Conservative offer had been. Their entire justification was, however, that the Conservatives had proposed to exact me condition whatsoever from the railway in exchange for the subsidy and loan, (This was readily admitted by the Conservative leader. Sir Charles Tupper. He said, describing the proposals of his Government when in office: "That was an absolute subsidy without any consideration whatever except the prompt construction of the road, and I attached the most vital importance to the prompt construction of the road." Canada, House of Commons, Debates, 1897, page 4536) while the Liberal Government, although offering a larger subsidy, were coupling their offer with the exaction of conditions concerning the rates of the Canadian Pacific Railway, conditions which would be of the utmost importance to the nation and to its various parts. Mr. Blair, particularly, attacked the earlier subsidy offer bacause, he argued, it was put forward,

"... without condition, without stipulation, without seeking to secure from the corporation to which that loan was made any remission of any of the terms and conditions under which they were operating their railway system in Canada -- without a single attempt to secure



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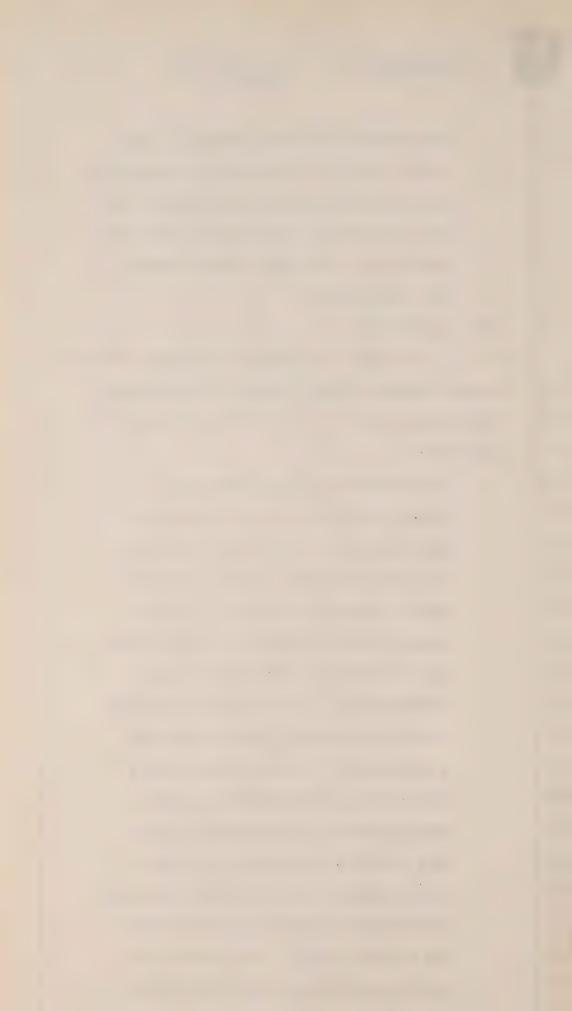
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any concessions in the interest of trade, in the interest of the people of the western country, in the interest of those who have been complaining of the incubus which the operation of that great railway imposed upon the country."

(Ibid., page 2347.)

70. Speaking of the conditions exacted from the Canadian Pacific Railway Company by the Agreement under discussion, Mr. Blair said in part (Ibid., page 4522):

"The committee will have noted that we have sought to ensure the country a large measure of relief from the rates which have obtained since the Canadian Pacific Railway was started. We have imposed conditions upon the company which are very larbely restrictive of their present powers. We have embraced in one of the sub-clauses of these resolutions a considerable list of articles which g into very large consumption among the people of the western provinces, and we have secured an agreement on the part of the Canadian Pasific Railway that very substantial reductions will be made upon the existing rates. We have also received the consent, on their part, that the rates upon all goods -- (shipped into



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or out of British Columbia over the Crow's Nest Pass line) -- are to be subject to the control and supervision of the Railway Committee of the Privy Council as is the case with other railway companies in Canada. To the extent of the shipment of goods from any part of Canada to British Columbia, and the shipment of goods from any part of British Columbia traversed by this line, to any part of Canada, there has been secured in the contract between the Canadian Pacific Railway and the Government, a rescision of that existing ten per cent clause."

Sir Richard Cartwright was at least as 71. emphatic as the Minister of Railways and Canals in stressing the rate concessions which were to be made by the Canadian Pacific Railway Company in return for the Crow's Nest subsidies. In contrasting the Conservative and the Liberal subsidy proposals he summed up the matter consisely (Ibid., page 4541. When pressed for a statement as to the cost of the line, Mr. Blair stated that "a very careful estimate" made by the officers and engineers of the Canadian Pacific Hailway Tompany indicated that, one mile with another over the 330 miles, the cost excluding equipment would be in the neighbourhood of \$25,000 or \$26,000 per mile. See ibid., pages 4603-4):

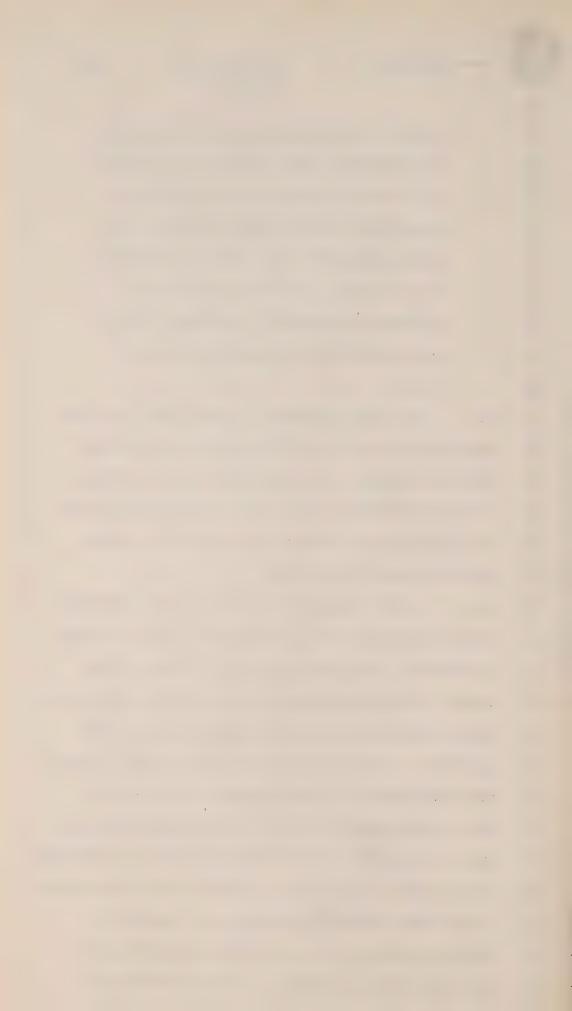


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"Now, the difference between the proposals is practically that we give, if you choose so to call it, some \$5,000 or \$6,000 per mile to the Canadian Pacific Railway for constructing this line, and we are paying them a further sum of \$5,000 or \$6,000 in return for valuable privileges to the whole North-West and eastern Canada as well."

72. The above statement by the Minister not only indicates the contrast between the Liberal and Conservative proposals but also makes clear the belief of the Government that the Grow's Nest Pass Agreement would work to the advantage if all parts of Canada, the East as well as the West.

of 1897 were embidied in an agreement, we may attempt to determine, from the discussions relating to the matter, the advantages which the respective contracting parties anticipated from the implementation of the Agreement. Summarizing briefly, the evidence suggests that the Federal Government passed the Crow's Nest Pass Act and entered into the corresponding Agreement with the Canadian Pacific Fallway in order to accomplish the following objectives: (1) the more rapid development of the highly promising mining area of southern British Columbia, (2) the effective integration of this area into the Canadian economy in deflance of geographic fasts and despite American designs, (3)



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the enlargement of the prairie and inter-mountain markets for eastern manufacturers through the provision of lower freight rates on the western movement of certain important products, (4) the stimulation of agricultural settlement and general economic expansion in the prairie provinces by means of the statutory assurance of lower grain rates and lower rates on the inward movement of capital equipment, and (5) the acceptance by the Canadian Pacific Railway Company of the principle of governmental rate control in the national interest.

--- Short recess.



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74. The Crow's Nest Pass Agreement offered to the Canadian Pacific Railway Company certain immediate and determinate advantages of a substantial nature and a number of more remote but immeasurably more valuable prospects for realization throughout succeeding decades. Among the more obvious of the immediate financial advantages was the subsidy to be provided out of public funds, larger than that offered by the previous Government, and sufficient according to estimates of the company to cover over 40 per cent of the cost of the Crow's Nest line. Construction of the line with government backing would place the company in a position to acquire and exercise the franchise of the British Columbia Southern Railway and thus to come into possession of some three and one-third million acres of land (as estimated by Company officials in 1898) plus six square miles of coal lands in grant from the province of British Columbia.

X

Eventual Conquest of Southern British Columbia

By the Canadian Pacific Railway Company

75. Tangible and great as were the immediate

benefits according to the Canadian Pacific Railway

Company pursuant to the Crow's Nest Pass Agreement they

formed no significant part of the central purpose in
volved and for the early accomplishment of which the

company welcomed public assistance. This purpose was



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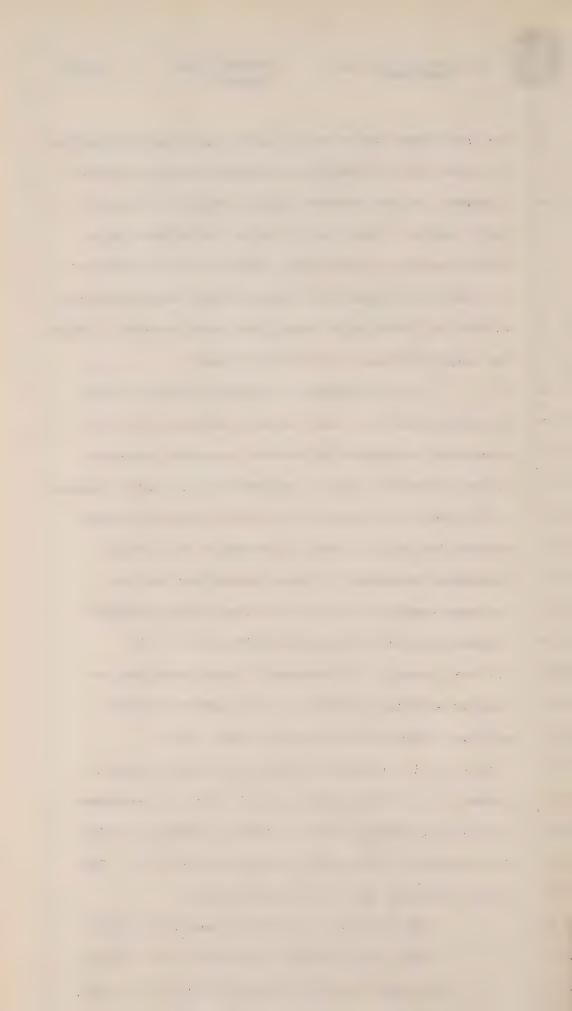
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the wresting of the economic life of southeastern British Columbia from its American possessors and the establishment of the Canadian Pacific Railway Company in their place. There was at stake for perpetuity an inland empire, a rich domain which by the accident of an arbitrary boundary lay territorially and politically within the Dominion of Canada but whose economic loyalty was unquestionably to the United States.

76. It is necessary to emphasize again in this connection the fact that American transportation and commercial interests had secured complete dominance of the mercantile life of southeastern British Columbia before the main line of the Canadian Pacific Railway reached the Pacific, and, furthermore, that this dominance persisted for years thereafter and was overcome eventually by the Canadian Pacific Railway Company only with the utmost difficulty. An official report of 1884 makes it clear that the exclusive American contacts of the eighteen-sixties were as clearly defined twenty years later. (Report of the Kootenay country by Gilbert Malcolm Sproat, Gold Commissioner, July 7, 1884, in Sessional Papers of British Columbia, 1884, as cited in Innis, Settlement and the Mining Frontier, page 272.) The report contains the following statement:

"The district of Kootenay has been supplied of late years entirely from the United States. The goods have been brought in by pack routes, Kootenay has not reached the humble level of



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Missoula, Montana -- to Wild Horse Creek. The other route, and the one hitherto most used, is that by which goods were brought from Walla Walla and other places by teams or trains to Sand Point (Lake Pend Oreille) and thence 165 miles by pack train up the Mooyie Valley to Joseph's Prairie or Wild Horse Creek as centres of distribution. The Northern Pacific Railway now comes to Sand Point . . "

77. The situation with particular reference to the last two decades of the nineteenth century is summed up by Judge Howay and his collaborators in historical analysis as follows (Howay, Sage and Angus, op. cit., page 265):

"The whole mining movement in the Kootenays and the houndary country during the last two decades of the nineteenth and the first decade of the twentieth century originated south of the international boundary and came north as claim after claim was staked. Practically all of the early capital was American, although British and Canadian capital came in during the later nineties.

. . . Vancouver was never really alive to the needs of southeastern British Columbia.

Victoria, although perhaps kept more aware of conditions in these outlying regions by the periodic meetings of the Legislature and



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the annual publication of the report of the Minister of Mines, never displayed more than a languid interest.

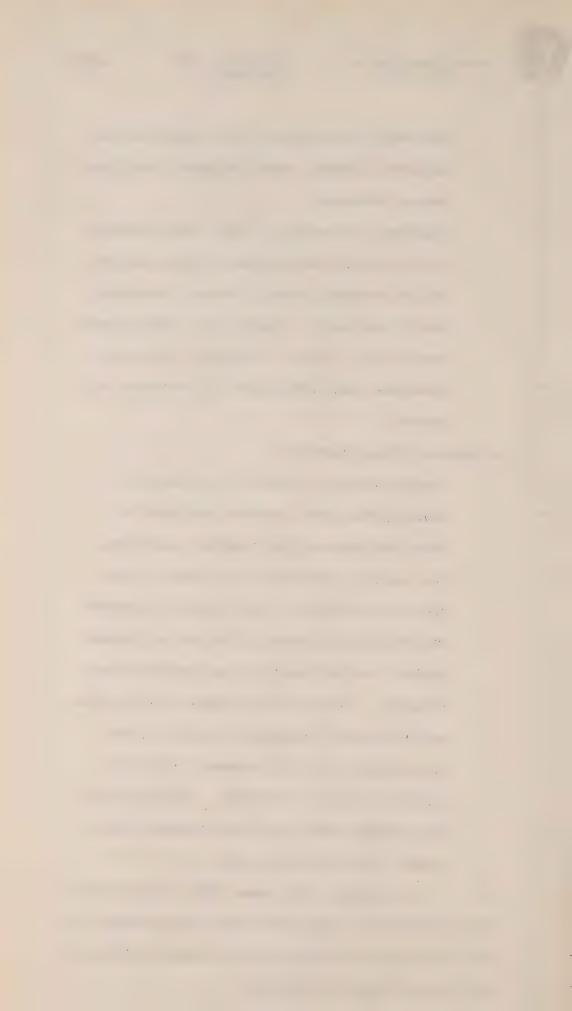
"Spokane, the capital of the 'Inland Empire', was the natural metropolis of the Kootenays and the boundary country, Nelson, Rossland. Trail, New Denver, Slocan City, Sandon, Kaslo, Grand Forks, Phoenix, Greenwood, Princeton, Cranbrook, and Fernie were all tributary to Spokane. . . "

And again: (ibid., page 257):

"During the early years of the twentieth century, the Great Northern continued to drain the Kootenay and boundary countries. Its branch lines north from Spokane tapped the best portions of these regions, Spokane was the natural centre of the whole 'Inland Empire, on both sides of the international boundary. The British Columbia coast cities could not hope to compete, and even after the completion of the Crowsnest line the pull was still to the south. Winnipeg was too far away and Calgary was herself being drawn into the Spokane orbit. . . . "

In February 1897, some three months before 78. the introduction of the Crow's Nest Pass subsidy bill into the House, the Boundary Creek Times had this to say (As cited 1bid., page 248n):

"That the C.P.R. is anxious to secure the

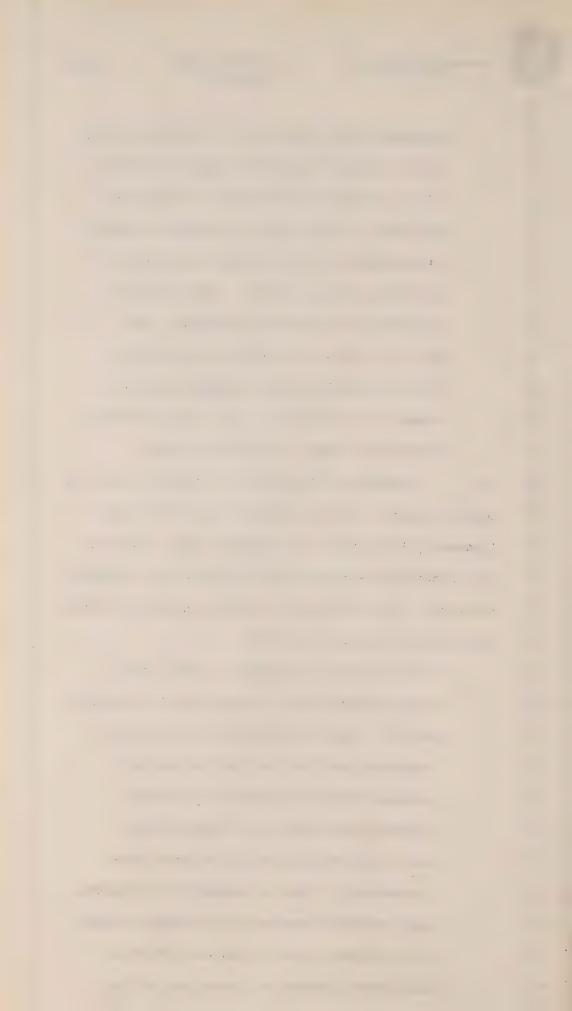


Boundary Creek trade is, of course, obvious. It is just as clear that unless a branch line is built from Penticton to Boundary, the bulk of the freight consigned to local storekeepers will be shipped via Marcus, over the American roads. The people of Boundary are patriotic Canadians only as far as they can afford to be; and if they find that American transportation is cheaper than Canadian, they will invariably choose the former, despite sentiment."

79. Speaking in the House on June 18, 1897, in general support of the proposed Crow's Nest Pass

Agreement, Honourable Sir Charles Tupper (then in the Opposition) stressed the urgency of the national interest. He said in part (Canada, House of Commons, Debates, 1897, pages 4529-30):

"We all agree upon another point, and a most important one, to which the hon. gentleman (Mr. Blair) drew the attention of the committee, and that is that we are so situated that that portion of British Columbia which has thus suddenly burst into such activity and which gives such a great and, I have no hesitation in saying, such undoubted promise of a splendid future, is so situated that it was cut off from the eastern portion of Canada as well as from the western portion. It was cut



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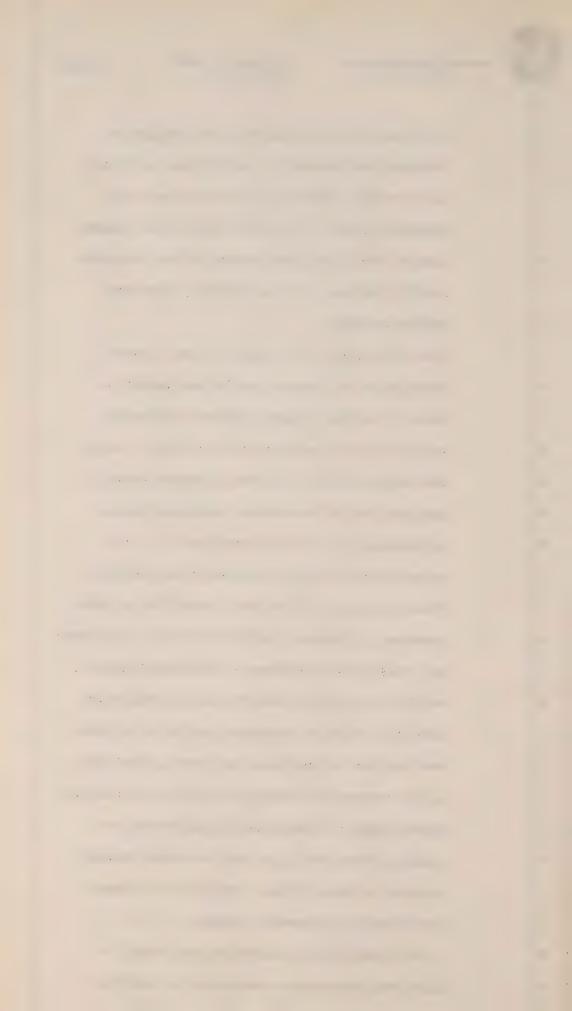
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off from the coast and from the cities of Victoria and Vancouver, and it was to a very large extent entirely cut off by the Rocky Mountains from the eastern portion of Canada, except by a circuitous route by the Canadian Pacific Railway, and navigation, when navigation was open.

"But, in addition to that, it was in such a

position to be tapped, as it was tapped by lines of railway communication connecting with the great railways of the United States, the Great Northern and the Northern Pacific Railway, which has already obtained access by Spokane, by the construction of a line of railway into this portion of our country. There can be no doubt that, under the circumstances, it became a matter of vital importance, not only to the province of British Columbia, which has a good future to have so suddenly developed such an enormous portion of mineral wealth, but to the whole of Canada, that this great country into which population is pouring where towns of considerable importance are rapidly being built up, and to which immense capital is being drawn, should not be made tributary to a foreign country. . . (The Conservatives therefore are ready) to give any Government assistance in carrying out the policy to which we had committed



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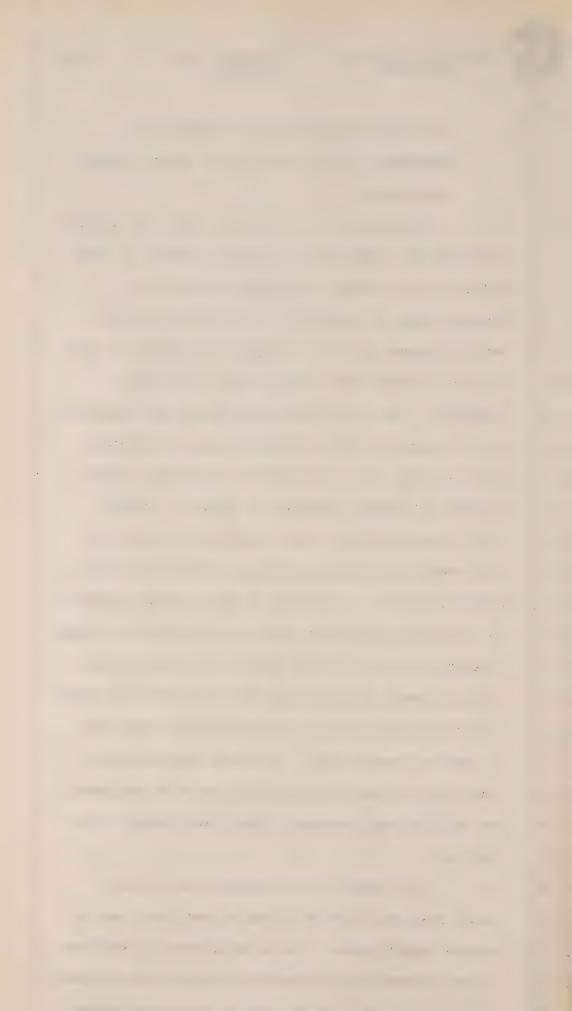
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necessary for the promotion of great Canadian interests."

ourselves (in the previous session), as

80. Construction of the Crow's Nest Pass railway line with the assistance of a public subsidy of cash and land made possible the gradual conquest of southern British Columbia by the Canadian Pacific Railway Company and the consequent absorption of that wealthy territory into the economic life of the Dominion. The Crow's Nest Pass railway was completed in the autumn of 1898 to the south end of Kootenay Lake and from that point steamers and barges carried carloads of freight unbroken to Nelson. Direct rail communication was thus available for the first time between southeastern British Columbia and other parts of Canada. Producers of agricultural supplies in the prairie provinces and of processeed foods, manufactured goods and capital equipment in the central provinces were thus provided with transportation which permitted their entree to the Kootenays in the face of American competition. Improved transportation facilities reduced the delivered prices of equipment and supplies and fostered further development of the district.

81. The impact of the construction of the Crow's Nest Pass line on a single item, coal, was of special significance. The establishment of smelters in the Kootenay had substantially reduced the necessity for the exportation of raw cres to refineries in the



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2 United States. The smelters in turn, however, 3 required coke and flux in quantity and their operations were facilitated or retarded depending on whether or not 4 5 supplies of these materials could be secured cheaply 6 and abundantly, freight paid at the smelter. The 7 collieries on Vancouver Island were a major source 8 of coke for the Kootenay and, as late as 1898, 32,000 9 tons were secured from Comox. (Innis, Settlement 10 and the Mining Frontier, page 282.) During the 11 same year the Crow's Nest collieries supplied less 12 than four hundred tons. The Crow's Nest Pass Coal 13 Company was granted coal lands in July 1897 on con-14 dition that coal should not exceed \$2 per ton at the 15 mine head. Coke ovens were built (30 at Fernie 16 in 1898) in anticipation of the completion of the 17 Crow's Nest railway. In 1899 the source of coal and coke for the Kootenay shifted almost entirely to 18 19 the Crow's Nest region. In 1900 the Crow's Nest 20 Pass Coal Company shipped 66,000 tons of coke and 103,600 tons of coal; in 1901 the corresponding figures 21 were 111,700 and 199,000 tons respectively. By 22 1902 there were approximately one thousand coke ovens 23

tons. Freight rates on coke and coal from the

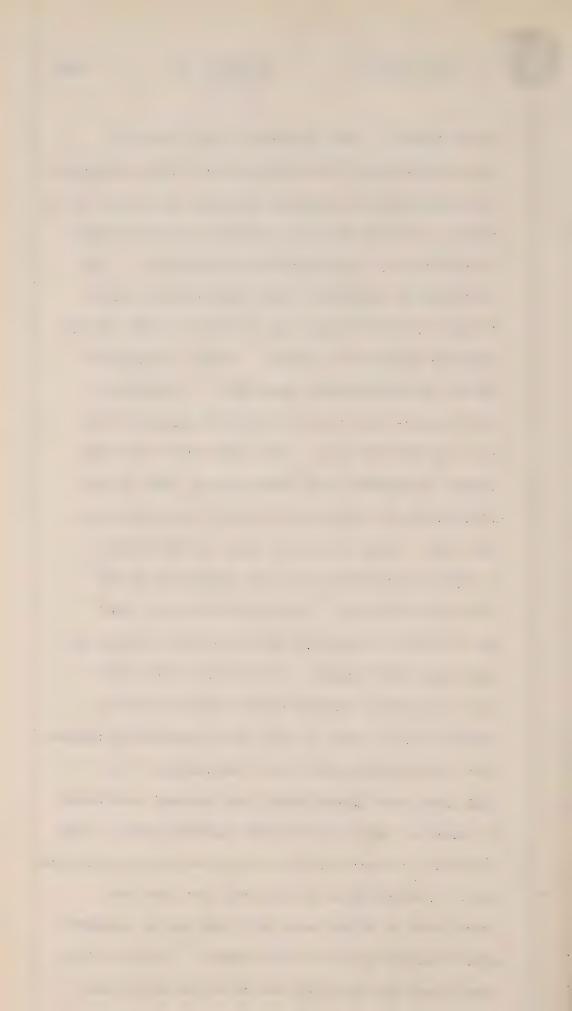
Crow's Nest to Nelson were \$2.25 per ton as compared

with a rate of \$5.25 from the coast. Coke from the

Crow's Nest was \$7.00 per ton at Nelson while that

from the coast was \$11.00.

15020 in operation in the Crow's Nest district, and in 1903 the output of coal was 340,000 tons and of coke, 150,000



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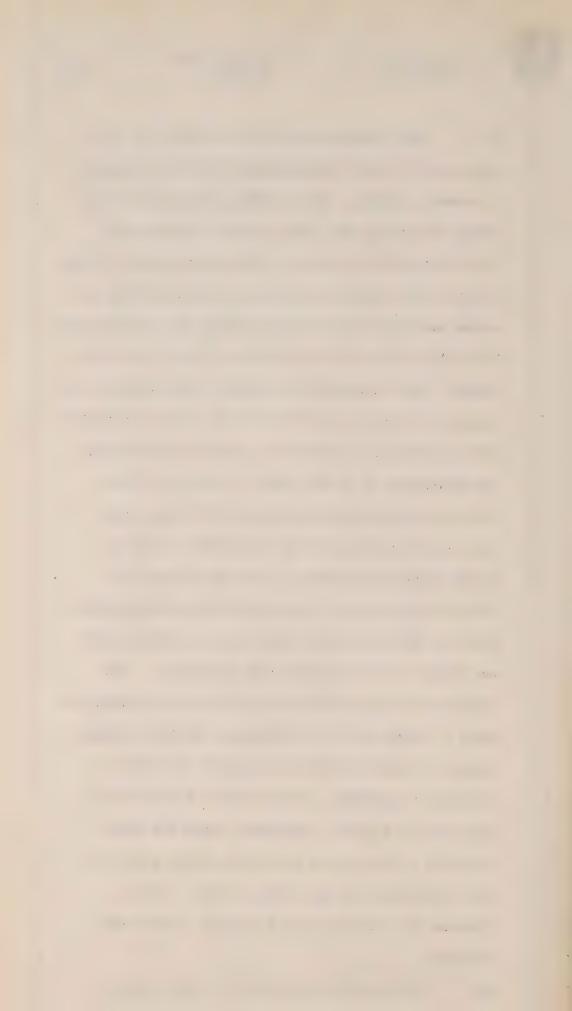
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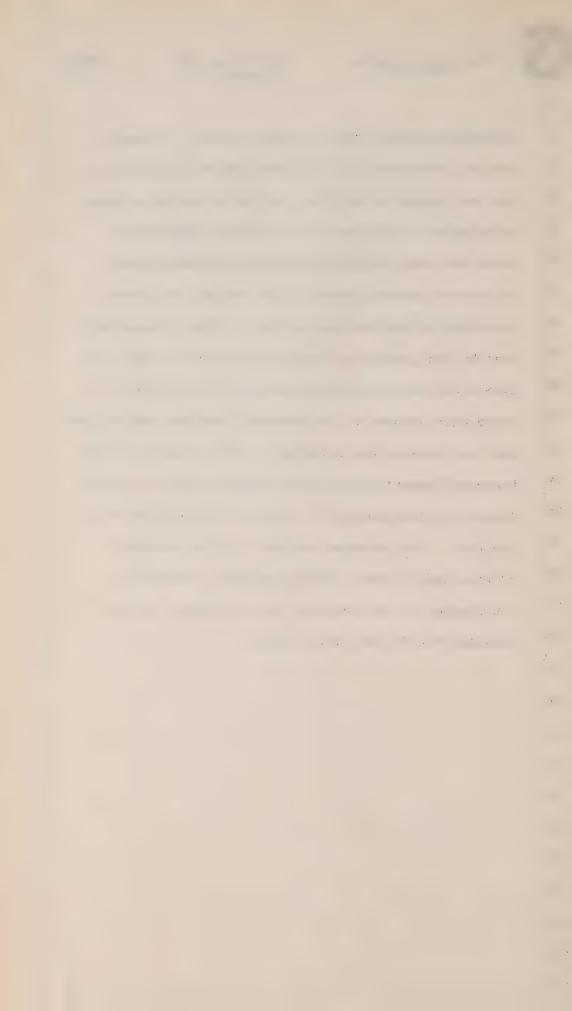
82. The integration of Crow's Nest Pass coal production and coke manufacturing with the expansion of mineral output in the Kootenay and Boundary districts was merely the first and most spectacular of the integrative effects of the Crow's Nest railway. Agricultural supplies from Alberta and Manitoba, and mining machinery from eastern Canada, had entered these districts before the construction of the Crow's Nest railway, their competitive position vis-a-vis American products substantially bolstered by tariff protection. (Tariff rates on agricultural products were roughly the equivalent of 20 per cent ad valorem in 1897. The rate on mining machinery was 33 1/3 per cent. A partial list of 53 mines was reported in 1897 as having installed machinery which was largely of Canadian manufacture, the installations ranging from \$3,000 to \$50,000 each. See Innis, Settlement and the Mining Frontier, pages 308n and 278n.) The direct service provided by the new line and readjustments of rates made by the Canadian Pacific Railway Company in 1897 and 1901 facilitated the entry of Canadian supplies. From Alberta the Kootenay drew grain and flour, livestock, meats and dairy products; from Manitoba came oats, butter, beef and pork; from Ontario, eggs and poultry. Hay, potatoes and vegetables were brought in from the Okanagan.

The economic conquest of the Kootenay

by the Canadian Pacific Railway Company was not fully



consolidated until the inter-war years. It was a victory, nevertheless, of immeasurable significance for the Company as well as for the nation as a whole. In relation to the national scene the significant point was that southeastern British Columbia came to form an integral part of the economic structure projected by the national policy. That tremendously wealthy and productive territory became for the first time a part of the Canadian economy, its markets in large part assured to the eastern Canadian manufacturer and its incoming and outgoing traffic assured to the transcontinental line of the Canadian Pacific Railway Company by availability of service and by protective tariffs. The revenues derived from the movement of this traffic have contributed, and continue to contribute, to the security and prosperity of the Canadian Pacific Railway Company.



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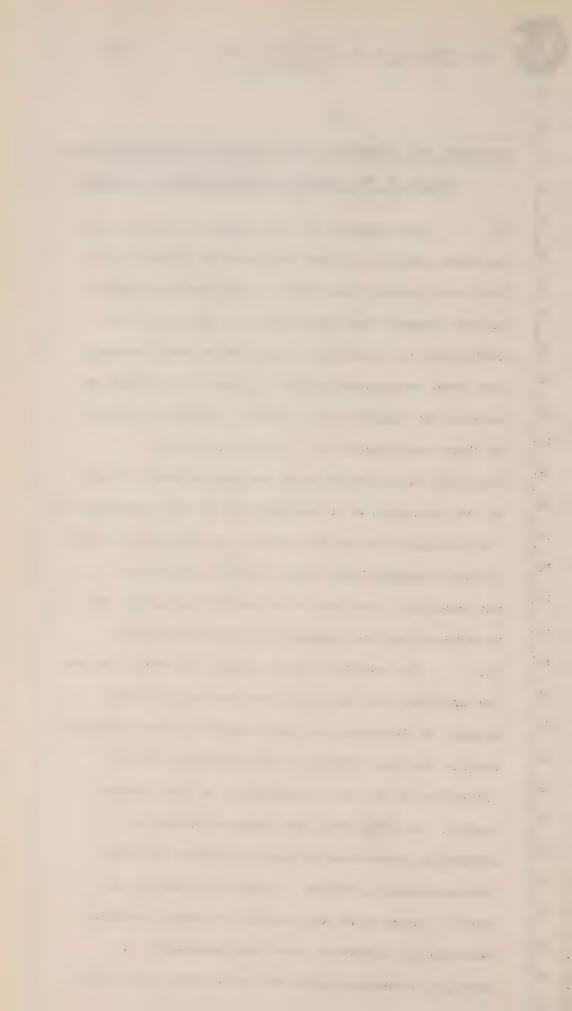
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XI

## EMPIRE BY THE CANADIAN PACIFIC RAILWAY COMPANY

84. The conquest of the Kootenay district which was made possible by the construction of the Crow's Nest Pass railway presented to the Canadian Pacific Railway Company the opportunity to diversify its activities in a variety of ways which could scarcely have been anticipated either by those who sought and secured the charter for a Pacific railway in 1881 or by those who granted it. In the process of acquiring transportation routes and railway mileage in the Kootenays as a prerequisite to the absorption of the economic life of the region, the Canadian Pacific Railway Company found itself almost inadvertently the owner of a smelter, an extensive townsite, and a contract for ore tonnage for custom smelting. The smelter was of course the Trail smelter. 85. The original unit in this plant was built by F.A. Heinze, an American, and was secured by the Canadian Pacific Railway Company as an incidental to the extension of its rail connections in the Kootenay region. In 1895, when the Rossland mines were attracting widespread attention because of their obvious promise, Heinze, a young millionaire who owned a copper mine and smelter at Butte, Montana, extended his interests into the Kootenays. He arranged a contract with the Le Roi mine for 37,500



per ton and for an additional 37,500 tons to be precessed at the lowest rates in the market. With this contract, a bonus of \$1 per ton from the Dominion government and a land grant from the provincial government, Heinze built the Trail smelter and a narrow gauge railway twelve miles in length from the mine at Rossland to the smelter. The first unit in the smelter was in operation in February, 1896, and, by 1897, five furnaces were at work. Heinze's railway construction was carried on under a charter secured by his company, the Columbia and Western, with a franchise which would permit eventual construction to the Pacific coast.

86. President Van Horne reported to the shareholders of the Canadian Pacific Railway Company for the year 1897 in part as follows: (Annual report of the Canadian Pacific Railway Company for the Fiscal year ending December 31, 1897, pp. 7-8.)

"Arrangements have been completed, subject to the approval of the Dominion Parliament, whereby your Company may acquire the Columbia & Western Railway extending from Robson to Rossland (33 miles) for the sum of \$800,000. With this property will be acquired the smelting works at Trail Creek, and about 270,000 acres of land in the vicinity, these being included in the purchase price named.

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Britnell, dir. (Carter)

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Rossland having become the principal mining centre in British Columbia, it was necessary either to build an independent line to that place or acquire the Columbia and Western Railway, and the

latter was clearly the wiser course."

87. The Canadian Pacific Railway Company took over the smelter at Trail on March 1, 1898. and operated it as the Canadian Smelting Works. Originally designed for refining copper, the smelter was diversified by the addition of lead-refining equipment in 1899 and 1902 which enabled the company to serve the smelting requirements of the Slocan and other parts of the Kootenays. The pressure of overhead costs required expansion and the assurance of continuous supplies of ores for processing. In January 1906 a consolidation of mines and the smelter was effected under a company by the name of the Canadian Consolidated Mines Limited. In February 1906 the name was changed to that of the Consolidated Mining and Smelting Company of Canada Limited. In 1912 this company stated: (As cited by H.A. Innis, in Settlement and the Mining Frontier, p. 297.)

"As the supply of customs ores to

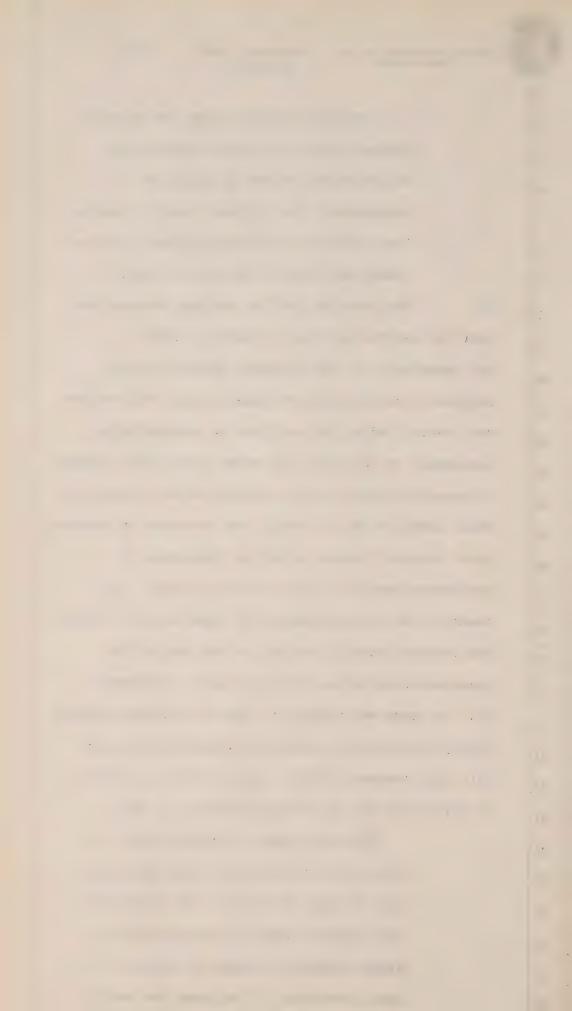
feed even one stack of a lead smelter has

been at times deficient, the company has

more and more added to its holdings of

mining property, so that at present a

large percentage of the ores smelted are



the product of its own mines."

In 1916 the company reported: (Ibid., p. 297n. The Rossland mines showed signs of exhaustion by 1916 and were closed down at the end of the war. Re-opened in 1923 they were soon closed again for lack of paying ores.)

"It is the policy of your directors to acquire and develop other properties from time to time so that if any particular mine should become exhausted a successor would be ready to take its place."

Smelting Company and its importance to the Canadian Pacific Railway Company as well as to the Dominion as a whole throughout the past forty years has been associated to an increasing extent with zinc in addition to lead. Not until the emergence of wartime demand in the years after 1914 was the price of zinc sufficient to justify a serious attack upon the problem of separating this metal at the Trail refinery. Zinc ores had been sent for refinement to Iola, Kansas, as early as 1902 and additional amounts were shipped in succeeding years. Concentrators were established in the Kootenay but high costs and heavy tariffs retarded development.

89. The Canadian Pacific Railway Company was interested in the East Kootenay both directly through branch line construction and through the smelter

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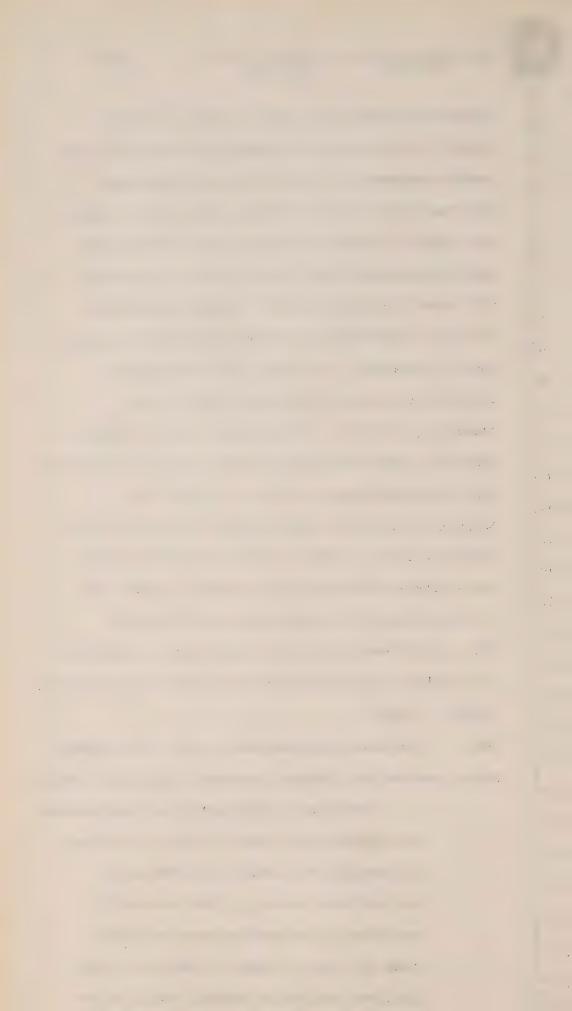
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operations at Trail as early as 1899. In 1900 a branch line was built to Kimberly and substantial but erratic shipments of silver-lead ores were made from the North Star, St. Eugene, and Sullivan mines. The complex lead-zinc-iron ore of the Sullivan mine posed particularly baffling problems of separation. This mine closed down in 1907 but was acquired by the Consolidated Mining and Smelting Company in 1910 and was re-opened. As late as 1915 the mine was shipping only crude, hand-picked lead ore for processing at Trail. On the request of the Imperial Munitions Board the Company constructed an electrolytic zinc extraction plant at Trail. In 1916 the Sullivan mine provided approximately fifteen million pounds of zinc. Before the end of the first world war Sullivan had provided over twenty thousand tons of zine. The Trail smelter sold 22,356 tons of zinc, 39,606 tons of lead and 6,831 tons of copper to the Imperial Munitions Board during the first world war, (Ibid., p. 302).

90. Research continued and in 1918 Consolidated
Mining and Smelting Company reported: (Ibid., pp. 302-3.)

"The year's developments and improvements have demonstrated that at last the problem of handling the complex Sullivan zinc ore has been solved....This successful solution of the problem makes available many millions of tons of mixed ore in the Sullivan mine which formerly could not be



considered commercial ore although very high in metal content."

In 1920 a pilot plant at Trail introduced

the differential flotation process on a commercial basis, producing high-grade lead and zinc concentrates and iron tailings. This plant expanded until it handled over one thousand tons of ore per day. In 1923 the flotation process was embodied in a concentrator constructed at Kimberly for the Sullivan mine.

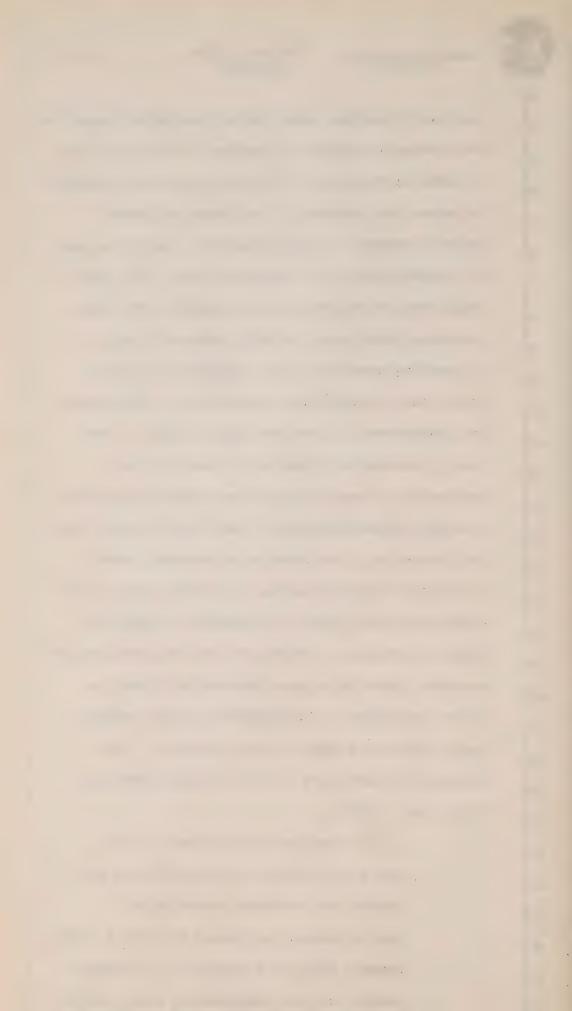
This mine has been the world's largest lead-zinc-silver producer for many years. The Trail smelter is the world's largest zinc refinery.

and by-product possibilities led Consolidated Mining and Smelting into the production of agricultural fertilizer in the inter-war years. During the Second World War the company constructed and operated amonium nitrate plants for the Dominion Government on a non-profit basis. The Company purchased these plants in 1946. Expansion in chemical output during the war placed the chemical production of the Company approximately on a par with the mining and smelting operations, this despite the fact that the Company has diversified its mineral holdings with acquisitions in many other parts of British Columbia and throughout the Dominion.

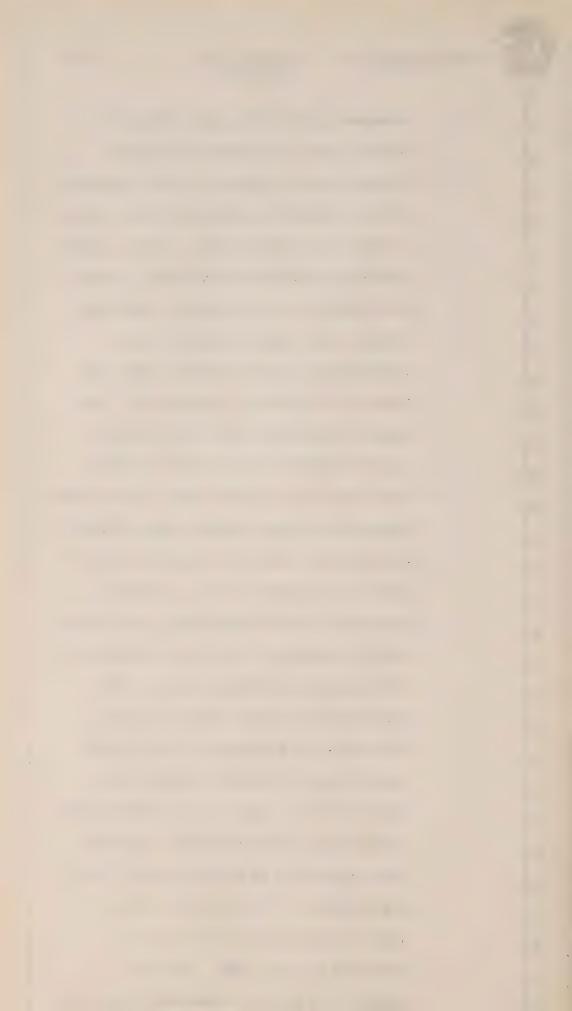
92. The expansion and diversification of the activities of the Canadian Pacific Railway Company in south-eastern British Columbia were related to the

problem of overhead costs in rail and other operations. The attempt to absorb the traffic of the region was dictated by the need to utilize all possible measures to reduce the overhead of the transcontinental railway structure. Having acquired a smelter as part of a package deal the Company was faced with a new embodiment of the overhead-cost problem. The great economies which were obviously attainable only if smelting operations were conducted on a largescale basis dictated the expansion (or alternatively the abandonment) of the smelting activity. The heavy overhead involved in the ownership and maintenance of smelting plant and equipment impelled a search for an adequate and continuous supply of ore for processing. The pressure of overhead costs associated with metallurgical processes was but an extension of the burden of overhead arising from railway operation. Professor Innis has analysed the economic forces which gave impetus and direction to the expansion of the activities of the Canadian Pacific Railway Company in the Kootenays. This analysis is summarized in the following paragraph: (Ibid., pp. 314-5).

"A smelter such as that at Trail,
built in relation to ores with high gold
content and dependent on relatively
smaller mines, was forced to protect itself
against signs of exhaustion by acquiring
control of, and amalgamating mines and by



introducing more efficient methods of mining, just as the Canadian Pacific Railway had been forced to assume control of the railways and the smelter as a means of reducing overhead costs. With a single directing organization in control, namely, the Canadian Pacific Railway, determined attempts were made to exploit mines systematically and to develop large ore bodies of relatively low-grade ore. enormous overhead costs of the railway and the smelter necessitated systematic development work in the mines of the region. Large-scale mining methods, concentrators, and extensive power developments became a part of the general plan.... Enormous expansion in power development particularly for the handling of zinc ores accentuated the problem of overhead costs. Power development provided a base for new activities and particularly for chemical industries..... A smelter designed to handle Rossland ores was far distant from Sullivan ores but exhaustion of Rossland ores contributed an organization of plant and equipment. The increased cost of transporting ores was offset by the decreased cost of plant. Moreover, control of a railway organization implied



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--- Adjournment.

ability to adjust the problem of overhead costs on the railway to that of smelter costs. The handling of ore over long stretches of otherwise non-revenue-producing railway reduced the overhead costs of the railway and, in part, the disadvantages of distance between mine and smelter...."

With reference to the activities of the

Canadian Pacific Railway Company in south-eastern

British Columbia it would be difficult to say

whether the Company is a railway enterprise which carries on mining and metallurgical activities and the development of power as subsidiary activities, or whether it is in fact primarily a mining and metallurgical company which carries on transportation activities as incidental to its primary pursuits. 94. The Crow's Nest Pass Agreement extended public assistance toward the building of a railway line which gave to the Canadian Pacific Railway Company for the taking the mineral-metallurgical empire of southeastern British Columbia. The Company has long governed and exploited this empire through the agency of its subsidiary, the Consolidated Mining and Smelting Company, in which the Canadian Pacific owns about fifty-one per cent of the capital common stock. Table I indicates the dividends received by the Company from Consolidated Mining and Smelting Company over the past two and one-half decades.

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# TRANSPORTATION

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# INDEX

Page No.

BRITNELL, George E.

Direct examination
By Mr. Carter (resumed)

NO EXHIBITS IN THIS VOLUME



# ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in the Court Room, Board of Transport Commissioners Offices, Ottawa, Ontario, on the 17th day of September, 1960.

#### COMMISSION

Mr. M. A. MacPherson, Q.C. Chairman
Mr. M. Anscomb Member
Mr. A. M. Balch Member
Mr. R. Gobeil Member
Mr. H. A. Mann Member
Mr. A. Platt Member

#### COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. H. W. Ellicott Adviser

Mr. F. W. Anderson Secretary

Major N. Lafrance Assistant Secretary

 $(x_{ij}, x_{ij}, x_{ij}) \in \mathcal{C}_{ij}$ 

Ottawa, Ontario, Saturday, September 17, 1960.

---On commencing at 9.00 a.m.

THE CHAIRMAN: Order, please. Mr. Carter?

### GEORGE E. BRITNELL, recalled

## DIRECT EXAMINATION BY MR. CARTER (resumed):

Q. Dr. Britnell, when the Commission adjourned yesterday you had arrived, I think, at Part XII of the brief having to do with the Crow's Nest Pass Agreement and grain rates. Would you please continue from that point?

A. History of Crow's Nest Pass Rates.

95. The Crow's Nest Pass Agreement provided that the reductions in grain rates were to be put into effect over a two-year period, and they were fully established by September 1, 1899. In January, 1902, the Manitoba Government, acting within the terms of the Manitoba Agreement, ordered reductions in grain rates on the Canadian Northern Railway in Manitoba. The reduction brought grain rates below the Crow's Nest level and reduced rates on other commodities by 15 per cent. Competitively the Canadian Pacific met these rates in part, establishing new low grain rates in October 1903.

96. The reduction in railway rates and the multiplication of rail facilities in western Canada

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after the turn of the century was accompanied by tremendous expansion in settlement and in agricultural production on the plains. Among the various forces which contributed toward this expansion it is impossible to assign relative importance. The reduction in transportation costs undoubtedly contributed in substantial measure. The dividend record of the Canadian Pacific Railway Company (the dividend rate on Canadian Pacific common stock reached 5 per cent by 1899; it rose to 7 per cent in 1907, and to 10 per cent in 1912, where it remained until 1930. "Dividends above a normal return on common stock have, therefore, existed as the result of the expansion of the road in western Canada and have largely been paid from the economic development of that area." H. A. Innis, History of the Canadian Pacific Railway, pages 283n, 286 and chapter X passim.) clearly indicates that the company shared in generous and increasing measure in the prosperity of the Canadian economy after 1900.



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DIVIDENDS RECEIVED BY THE CANADIAN PACIFIC RAILWAY COMPANY FROM THE CONSOLIDATED MINING AND SMELTING COMPANY, 1935 to 1959

Year	Amount
1935	\$ 2,187,250
1936	3,365,000
1937	5,888,750
1938	4,206,250
1939	3,365,000
1940	3,785,625
1941	4,206,250
1942	4,206,250
1943	4,206,250
1944	4,206,250
1945	4,206,250
1946	7,150,625
1947	13,460,000
1948	18,507,500
1949	15,983,750
1950	15,983,750
1951	18,507,500
1952	13,880,625
1953	10,095,000
1954	11,356,875
1955	14,721,875
1956	13,880,625
1957	11,356,875
1958	6,730,000
1959	6,730,000
- ///	-,15-,000

Canadian Pacific Railway Company: Source: Annual Reports.

After October 1903 it was not until late in 97. the first world war that any serious question arose as to the effectiveness of the Crow's Nest Pass Agreement in limiting an increase in railway rates. In 1917 the Board of Railway Commissioners heard an application of the railway companies for a recommendation to the Governor in Council under the War Measures Act for a general advance of 15 per cent in freight and passenger rates. The railways contended that increased costs made it impossible for



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them to render adequate service on the tasis of existing rates. Observing that to grant the increase asked for would, in western lanada, run counter to the Manitoha Agreement and would raise rates on grain and other specified products to a level above that permitted by the Crow's Nest Pass Agreement, the Board was forced to decide whether or not it was bound by these Agreements. The Board held that it was not bound by the Manitoba Agreement but was bound by the Crow's Nest Pass Agreement. It accordingly granted the 15 per cent increase subject to the limits set by the Crow's Nest Pass Agreement. In view of appeals which were brought against the Board's award, the effective date for the new rates on wheat was set at June 1, 1918, and on other commodities at March 15, 1918. 98. Meanwhile the Federal Government ordered

(P.C.1768) wage increases for Canadian railway workers in recognition of the McAdoo Award in the United States, the wage increases to be effective August 1, 1918.

In the same Order the Board of Railway Commissioners was directed to prepare a new schedule of all freight rates. The new schedule was established by Order in Council P.C.1863 effective August 12, 1918.

The increase provided for in the new schedule was, generally speaking, 25 per cent, with the proviso that in territory west of Fort William this figure should include the previously granted increase while east of Fort William 1t was to be additional to the 15

The new grain rates established as of

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per cent increase.

two and one-half months.

August 12, 1918, were above the Crow's Nest Pass Agreement level. The suspension of this Agreement, thus first effected by Order in Council, was ratified by Amendment to the Railway Act of 1919, Section 325, subsection 5, the suspension to continue for three additional years -- that is, to July 7, 1922. 100. The obvious and significant fact that emerges at this point of the analysis is that in the period from October 1903 to August 1918 the Crow's Nest Pass Agreement effectively held down western grain rates only during the short interval from June 1, 1918 to August 12, 1918, or a period of less than

101. Table II illustrated the changes in western grain rates since 1897.

#### TABLE II

RATES ON GRAIN TO FORT WILLIAM-PORT ARTHUR FROM
SELECTED POINTS
(In cents per 100 pounds: Crow's Nest Page Agreen

(In cents per 100 pounds: Crow's Nest Pass Agreement Rates = 100)

	From	Winnipeg	From	Regina	From	Calgary
	¢	Index	<u>¢</u>	Index	\$	Index
Before August		121.4	23	115.0	29	111.5
August 1,1898		31,1899 110.7	211/2	107.5	27 <del>1</del>	105.8
September 1,18		100.0		100.0	26	100.0
October 7,190		31,1918 71.4	18	90.0	24	92.3
June 1,1918-A		11,1918 85.7	20	100.0	26	100.0
August 12,1918		100.0		120.0	30	115.4
September 13,	1 <b>920-</b> I 19	135.7	1,1920 32½	162.5	402	155.8
January 1,192	1-Nove 18	128.6	921 31	155.0	39	150.0
December 1,19	21-Jul 17	ly 5,1922 121.4	29	145.0	36	138.5
July 6,1922 to	date	100.0	20	100.0	26	100.0

Source: Adapted from Index Numbers of Railway Freight Rates, 1913-1936 (Ottawa, 1938), p. 9.

Agreement in 1918 was effected under authority of the War Measures Act and was justified before the Parliament and people of Canada as a temporary measure designed to meet an emergency condition. Its suspension under these circumstances could in no

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way be regarded as based on a reasoned decision that
the terms of the Agreement had been fully accomplished by
the contracting parties or that those terms were no
longer in accord with realities. Nevertheless, in
1922, as the time approached for the expiration of
the suspension of the Agreement, the Canadian Pacific
Railway Company made every effort to have the Agreement
abrogated entirely.

103. There would be little purpose in reviewing

in detail the Parliamentary and Special Committee discussions which preceded the restoration of the Crow's Nest Pass rates on grain. These discussions did, however, for the first time provide an opportunity for western members and farm leaders to record their views as to the importance of Crow's Nest Pass rates. Some at least of the western representatives recalled that the Crow's Nest Pass rates were put into effect by the Canadian Pacific Railway Company in fulfilment of its part of an agreement for which it had received full consideration from the people of Canada. It was also pointed out that the rate commitment of the company would be useless if it were to be waived at any time that it might prove inconvenient to the company. Generally speaking, however, the western representations were concerned with stressing the extreme importance of Crow's Nest rates to the economic welfare of the highly specialized, wheat growing prairie economy. The west had developed on the basis of Crow's Nest rates and in reliance on their

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statutory stability. The Crow's Nest Pass Agreement was referred to as the western settler's "bill of rights." The very general alarm of the residents of the prairie provinces was expressed at the suggestion that the Agreement should be abrogated or that its suspension should be further extended. In June, 1922, the Railway Act of 1919 was amended in regard to the provision for the suspension of the Crow's Nest Pass Agreement. The amendment provided that Crow's Nest Pass rates should be restored on grain and flour as of July 6, 1922, but that the suspension of the Agreement as applied to westbound traffic should continue until July, 1923, and for an additional year at the option of the Governor in Council. The extension was authorized in 1923 but in 1924 the railways were directed to restore Crow's Nest Pass rates on westbound traffic. Then followed an extremely tumultuous period in which the railways adopted delaying tactics, arguments were heard and orders were made by the Board of Railway Commissioners, appeals were heard and judgments were given by the Supreme Court. Finally Parliament intervened and in 1925 amended what was then Section 325 of the Railway Act to cancel Crow's Nest rates on all commodities other than grain and flour and to make these rates applicable to all grain and flour moving eastward on railway lines from any railway point to Fort William-Port Arthur. Section 325 has now become Section 328 (R.S.C. 1952, c.234) and

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subsections 6 and 7 are the relevant ones:

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"(6) Notwithstanding anything in subsection (5) (which deals with the powers of the Board of Transport Commissioners 'to fix, determine and enforce just and reasonable rates'), rates on grain and flour shall, on and from the 27th day of June, 1925, be governed by the provisions of the agreement made pursuant to chapter 5 of the statutes of Canada 1897, but such rates shall apply to all such traffic moving from all points on all lines of railway west of Fort William to Fort William or Port Arthur over all lines now or hereafter constructed by any company subject to the jurisdiction of Parliament. "(7) The Board shall not excuse any charge of unjust discrimination, whether practised against shippers, consignees, or localities or of undue or unreasonable preference, respecting rates on grain and flour, governed by the

provisions of chapter 5 of the statutes of Canada, 1897, and by the agreement made or entered into pursuant thereto within the territory referred to in subsection (6), on the ground that such discrimination or preference is justified or required by the said Act or by the agreement made or entered into pursuant thereto. R.S., c.170, s.325; 1951 (2nd Sess.),c 22,s.6."

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Since June 27, 1925, the effective date of this amendment, the Crow's Nest Pass limitations on rates has not existed except for grain and flour.

A frequent complaint of the railways con-105. cerning Crow's Nest Pass rates is that, in the course of time, they have been extended geographically to cover a great deal of traffic which was not contemplated in the original Agreement. The main problem in this regard concerned the rates which should be applied on Crow's Nest commodities from and to shipping points which did not exist in 1897 on lines which had not been constructed in 1897. Both the Canadian Pacific and the Canadian National Railways were involved in this matter, in that by far the greater proportion of the western lines of both railways was constructed after the Crow's Nest Pass Agreement was made. Competition and the necessity of avoiding discrimination originally led to the extension of Crow's Nest Pass rates to the new shipping points and the amendment to the Railway Act in 1925, quoted above, made the extension compulsory for grain and flour. In 1927, by General Order No. 448, the Board of Railway Commissioners specifically directed the Canadian Pacific and all other railways to adjust rates on grain and flour from all western points to Fort William to the Crow's Nest Pass level. In the same year (1927) the Board directed that rates on grain and flour moving through Pacific coast ports for export should be reduced to the Crow's Nest Pass

level.

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106. The Crow's Nest Pass structure of

therefore, been extended geographically in so far as grain and flour are concerned. Since June 1925, however, as pointed out above, the Crow's Nest Pass ceiling on rates has ceased to exist for commodities other than grain and flour. The result is that since that time the railways have been freed from the statutory limitations which placed a ceiling on rates on a substantial list of capital goods items moving into the prairie region from eastern Canada. This is obviously a substantial, if indeterminate, concession to the railways. The alterations which have been made in the Crow's Nest rates over the years have by no means all been in the direction of placing additional burdens on the railways.

107. The Turgeon Royal Commission on Transportation reported on the effective scope of the Crow's Nest Pass rates in 1951 in the following terms (see Report of the Royal Commission on Transportation (Ottawa: King's Printer, 1951), p. 238):

"The scope and application of the Crowsnest
Pass Rates have been greatly altered since
they first became effective. They are
at present in force, (partly by statute,
partly by Order of the Board of Transport
Commissioners, and partly by action of the
railways themselves, as will appear), in
respect only to shipments of grain and flour

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and certain other grain products, and they
are held at a level which is 3 cents per 100
pounds less than the rates charged by the
Canadian Pacific Railway Company in September,
1897, on shipments of grain and flour from
all points on its main line on the prairies
west of Fort William to Fort William and
Port Arthur, and they apply as follows:

- "(a) To shipments of grain and flour moving from all points on all lines of railway west of Fort William to Fort William and Port Arthur over all lines constructed by any company subject to the jurisdiction of Parliament;
- "(b) To shipments of grain and flour from prairie points to Westfort and Armstrong;
- "(c) To shipments of grain and flour from

  prairie points to Vancouver and the other

  Pacific ports for export. (But in this

  case the distance from Calgary to Van
  couver via the Canadian Pacific Railway

  is assumed to be the same as the distance

  from Edmonton to Vancouver, that is, 766

  miles instead of the actual distance

  of 642 miles);
- "(d) To shipments of grain and flour moving from Prairie points over the Hudson Bay Railway to Churchill for export;
- "(e) To shipments of certain by-products

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of the milling, distilling and brewing industries, and also certain feed products, not included, by strict interpretation, within the meaning of 'grain' and 'flour' in the foregoing paragraphs (a), (b), (c) and (d); . . ."

108. Section (f), adjoined to the above citation. pointed out that Crow's Nest Pass rates had further indirect application in that they served to keep down the rates on domestic grain and flour shipments within western Canada. The Board of Transport Commissioners declared its intention to remove this "hold-down" in a judgment in the equalization case issued on December After a review by the Board, granted 12.1952. in order to enable interested parties to make representations concerning the jurisdiction of the Board to remove the hold-down, the Board issued Order No. 83896 on June 7, 1954, authorizing the railways to file tariffs on domestic grain without regard to Crow's Nest Pass maxima. On June 14, 1954, the Canadian Pacific and the Canadian National railways filed tariffs to become effective on July 17 making regular grain mileage rates applicable to domestic movements.

109. The Crow's Nest Pass rates on grain and flour remained in effect throughout the nineteen-thirties.

Throughout that calamitous decade the sorely pressed producers in the prairie provinces made no serious attempt to force the railways to establish grain rates below

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the maximum established by the Crow's Nest Pass
Agreement. The same producers reject with all
possible emphasis those arguments which are now put
forward in an attempt to demonstrate that the Crow's
Nest Pass rates have served their purpose and can
be continued only on the basis of charity and
government subsidy.

## IIIX

Evolution of the Crow's Nest Pass Agreement.

110. The history of the Crow's Nest Pass grain rates is not, however, identical with the history of the Crow's Nest Pass Agreement. This agreement was suspended in 1918. By legislation of 1925, by orders of the Board and by action undertaken voluntarily by the railways, the rates embodied in the Crow's Nest Pass Agreement were re-established as the basis of western grain rates in the latter half of the nineteentwenties. The Royal Commission on Transportation (1951) deals succinctly with the evolution of the Agreement throughout the middle twenties. Their analysis is as follows (Ibid., pp. 244-5):

"In dealing with this subject up to this point the Commission has adopted the language generally used in discussing it and which, by repeated reference to the Agreement of 1897, conveys the idea that the matter is still essentially one of deciding whether or not the Canadian Pacific

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Railway Company should continue to be bound by a contract which, in its opinion, has become unreasonably onerous. And in the same manner this other idea is conveyed, viz., that the Canadian National Railway Company has been compelled, perhaps unfairly, to apply rates arising out of a contract to which it was not a party.

"The present position of this subject, having

regard to the many years which have passed and the many changes which have occurred since 1897, and to the attitude which Parliament and the Government have taken in respect to these rates on numerous occasions throughout this long period when reaching decisions affecting national policy, is not as outlined in the above paragraph. It was affirmed on behalf of the Government so far back as in 1925 that Parliament, in dealing with the Crowsnest Pass rates, found itself confronted not with a contractual theory but with a condition. The fact is that the real intention of the amendment of Section 325 of the Railway Act passed in 1925 and already quoted, was to put an end to the Agreement of 1897 as between the parties to it (the Government and the Canadian Pacific Railway Company) and to prescribe instead a statutory stabilization of certain freight

rates binding on all railways, in order
to meet a condition then existing, a condition
which was foreseen in 1897 and which had come
into being during the many years the contract
was in force and very largely through the
operation of that contract. It seems clear
that the reference made to the Agreement of
1897 in the legislation of 1925, and still
in the statute, was intended merely to be
descriptive of the rates which Parliament was
prescribing for use thereafter on all lines
of all railways in the area mentioned.
"In presenting the aforesaid amendment of
the Railway Act to Parliament in 1925 the Minister of Railways and Canals said:

'This Bill is a bold piece of legislation
in order to get rid, not only of the
Crowsnest Pass Agreement, but of a
score of agreements all of more or
less importance . . . We are trying
. . . to get rid of a number of agreements -- and we have a number of agreements on the Intercolonial, some of
small importance, some of greater importance -- in order to give the Board
of Railway Commissioners a fair chance.'
"The Minister then presented the Bill drafted
in the language which is now that of the
proviso to subsection 5 and of subsection 6

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of Section 325 containing the reference to the Agreement of 1897. It is clear from all this that the intention was to terminate the Agreement itself but to adopt the rates which had come into existence under it, and which had come to be known by reference to it, as the permanent basis of charges to be made thereafter on all shipments of grain and flour moving eastward from the prairies."

amendments to the Railway Act mentioned above, the Government directed the Board of Railway Commissioners (by Order in Council P.C.886) to investigate the rate structure with a view to bringing about equalization. The broad powers of investigation and action thus extended to the Board were limited only by the exclusion of the Crow's Nest Pass rates on grain and flour. The relevant paragraphs of the Order in Council read as follows (Ibid., pp. 245-6. Italics by the Commission):

"The Committee are further of the opinion that as the production and export of grain and flour forms one of the chief assets of the Dominion, and in order to encourage the further development of the great grain growing provinces of the west, on which development the future of Canada in large measure depends, it is desirable that the maximum cost of the transportation of these

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products should be determined and known, and therefore are of opinion that the maximum established for rates on grain and flour, as at present in force under the Crowsnest Pass Agreement, should not be exceeded.

"The Committee are further of the opinion that, before such investigation is undertaken it is essential to ensure that the provisions of the Railway Act in reference to tariffs and tolls, and the jurisdiction of the Board thereunder, be unfettered by any limitations other than the provisions as to grain and flour hereinbefore mentioned."

THE CHAIRMAN: The emphasis is yours?

THE WITNESS: No, the underlining was
by the Commission. the Turgeon Commission.

April 7, 1948 (P.C. 1487), which instructed the Board to proceed toward equalization, contained the instruction that the Board undertake a general freight rates investigation "subject to such special statutory provisions as affect freight rates".

The special statutory provisions thus referred to are the amendment to the Railway Act of 1925 fixing rates on grain and flour and The Maritime Freight Rates Act of 1927.

113. The replacement of the Crow's Nest Pass
Agreement by a specific structure of statutory and
administrative rates was an act of deliberate and

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considered policy on the part of the Parliament of Canada. It gave legislative effect to the view that the continuance of the level of rates as prescribed under the Agreement was indispensable for the well-being of the national economy. Nothing which had happened since the rates were first made effective had in any way reduced either the necessity for the grain rates originally assured by the Agreement or the perpetual flow of benefits secured by the Canadian Pacific Railway Company with the help of the Agreement.

## XIV

Analysis of Crow's Nest Pass Rates by the

Royal Commission on Transportation, 1951.

114. It would be well before concluding this analysis to point out that the Royal Commission on Transportation referred to above (which examined the Canadian railway situation over a period extending from December 1948, when the Commission was appointed, to February 1951, when the Commission presented its report) dealt specifically with the Crow's Nest Pass grain rates and answered a number of questions which are of importance at the present time. First they indicated succinctly the error of the view that Crow's Nest Pass grain rates constitute a special and unique concession to the producers of one region within the Dominion. Second, they considered and rejected categorically the request that Crow's Nest

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Pass grain rates should be made subject to general freight rate increases. Finally, they considered and rejected emphatically the suggestion that the Commission should recommend the repeal of the statutory control of Crow's Nest Pass rates.

It is best to allow the Commission to speak 115. for itself in elaboration of these points. First, concerning the question whether Crow's Nest Pass grain rates constitute regional privilege the Commission commented as follows (Ibid, p. 247):

> "Whatever the price of wheat may be, the greater part of the crop has to make the long voyage each year to faraway markets. And in leaving the prairies it travels by railway; no other transportation agency is available to it.

"For many years now it has been a recognized factor of Canadian transportation policy that the hardships arising from our necessarily long cast-and-west railway haul have been tempered along the way by four great measures of relief: The Maritime Freight Rates Act in the Atlantic Region, the toll-free canals in Central Canada, the competitive transcontinental railway rates at the Pacific Coast, and the Crowsnest Pass rates in the prairies."

As to whether or not Crow's Nest rates 116 should be made subject to general freight rate

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increases the Commission stated its findings as follows (Ibid., p. 252):

"Much time has been taken to consider whether it has been established that the Crowsnest Pass rates, hitherto exempt from the burden of general freight rate increases, should now be made subject to them. above stated, the removal of this exemption is asked for principally on the ground that it casts an unfair burden on shippers of other commodities. This argument seems plausible in theory but an examination of all the facts involved shows that it is not well founded. It is true that the Crowsnest Pass rates are a benefit to the shippers of grain and flour in Western Canada. In so far as the shippers of other commodities in that region are concerned they do not complain of any undue hardship by reason of the exemption in question. From all that was said before the Commission it can be inferred, on the contrary, that these shippers would rather continue to bear whatever additional increase is required in their rates (for instance the difference between 18% and 21%) than disturb the immunity of the rates on grain and flour. The shippers in the maritimes on the whole are fairly well satisfied with the special treatment they

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tained."

enjoy under the Maritime Freight Rates Act in its present form, and their representative before the Commission did not join in the suggestion that the Crowsnest Pass rates should be affected by general freight rate increases. Shippers in Central Canada are in such an advantageous position in comparison with those of the West as to make it clear that they require no relief under existing conditions. The Railway Association of Canada estimates that the railways are losing at least \$50 million annually as a direct result of the competitive rates which they put into effect in order to meet truck competition. This means that without this competition the shippers concerned, of whom the great majority are in Central Canada, would be called upon to pay normal rates very much higher than those now in force. There is nothing in their case that can be called a hardship. "On the whole therefore no justification can be found for the statement that the exemption of the Crowsnest Pass rates causes an undue burden upon shippers as a whole or upon any particular class of shippers. The application made for their increase based upon this argument cannot be enter-

ted solicitude for the welfare of the shipper are not the only grounds on which the Canadian railways have urged the removal of the Crow's Nest ceiling on grain rates. The claim has not infrequently been made that the level of grain rates in Canada converts the rail transportation of the tremendous western crop from what ought to be remunerative operation into one which does nothing but magnify railway losses. On this point the Royal Commission commented as follows (Ibid):

(Page 15057 follows)

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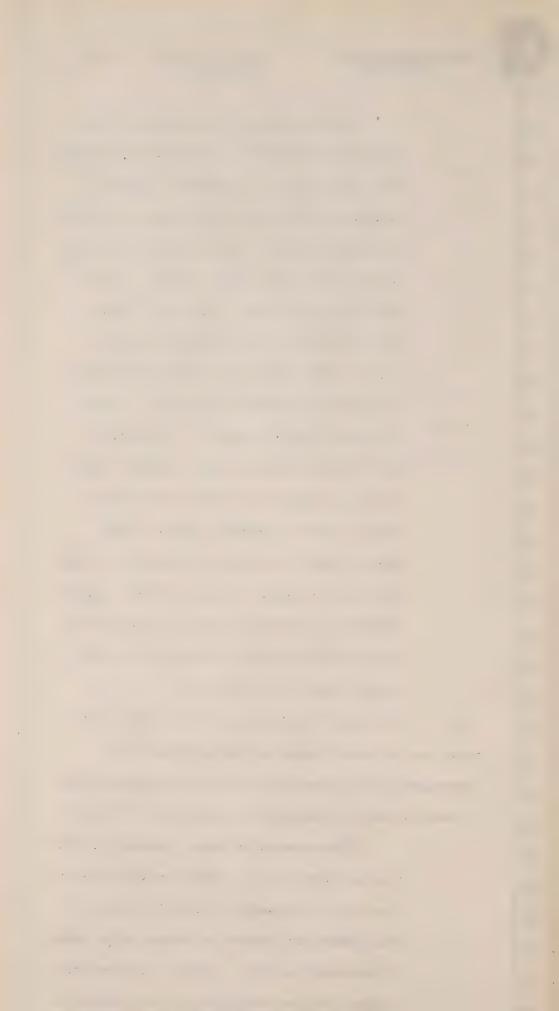
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"There remains the question of the railways themselves. Is there any reason why they should be idemnified against whatever additional burden they may suffer by reason of this exemption from increases of the Crow's Nest Pass rates? It is not easy to see what case can be made out for them in this respect. If the Crow's Nest Pass rates were made subject to general increases the ratio of the increases would go down. In any case the statement made by the Canadian Pacific Railway Company is to the effect that 'since 1922 the greater burden of the Crow's Nest Pass rates deficiency is borne by other shippers. This statement implies that there is really not much to be said against these rates in respect of their effect upon the railways."

views on the maintenance of parliamentary or statutory control over Crow's Nest Pass grain rates in the following paragraphs: (Ibid., pp. 249-50).

"The conclusion which commends itself to the Commission is that the time has not come for Parliament to divest itself of the immediate control of these rates which it assumed in 1897. Such a time may come later with the evolution of the country's



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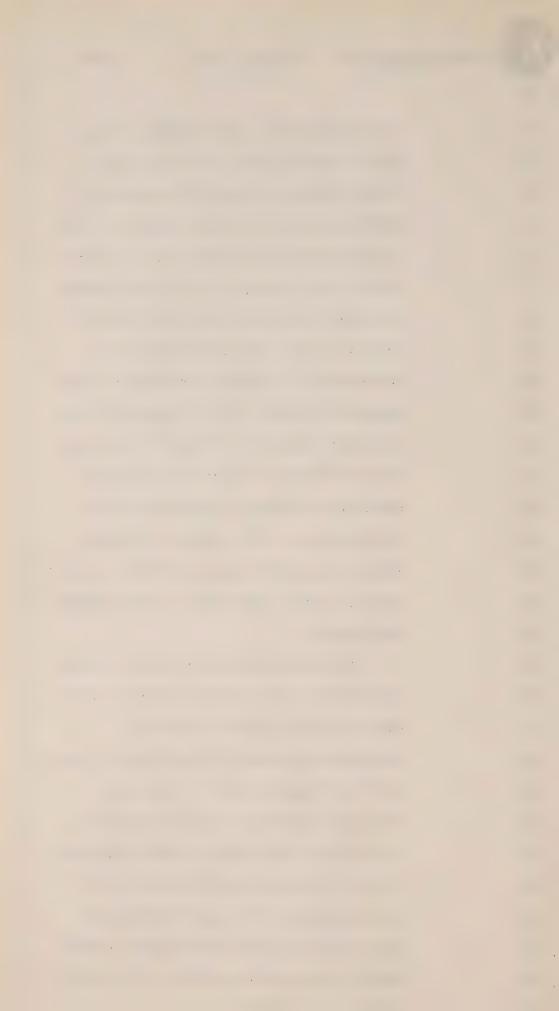
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economic position, but it seems certain that it has not yet come in this case. On the contrary, it would be against the national interest at this moment, in view of the uncertainties which exist in world affairs, and consequently in world market prospects, to subject this great export industry to the disturbance which the abandonment of statutory protection would undoubtedly cause. This abandonment would mean that Parliament no longer looks upon western Canada's production of grain for export as an industry requiring special consideration in the national interest. There is no doubt that the effect of such a

The Commission does not believe that the time has come to deal with this great export industry without regard to considerations which the Board cannot apply. If it is suggested that in this case Parliament might give special directions to the Board, the answer is that the result of such a procedure would likely prove unsatisfactory. So long as planning of any sort is called for in regard to these rates it had better continue to be done by Parliament itself."

measure at this time would be particularly

unfortunate ....



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The province of Saskatchewan is firmly 119. convinced that these views are as valid today as they were then advanced by the Commission in 1951.

XV

## CONCLUSION

This submission comprises a statement and examination of the background, purposes and development of the Crow's Nest Pass Agreement and rates. On the basis of the facts the Province of Saskatchewan flatly rejects the contention that the Crow's Nest ... Pass grain rates constitute an inequity in the Canadian freight rate structure. The province also rejects the assumption made by the railways that these rates. taken by themselves, constitute a problem or that, as the railways contend, their continuance requires a solution. The need of the railway companies for additional revenues can only be determined by an examination of their total operations and not by attempts to evaluate or cost arbitrarily-selected segments of their activities and services. 121. Historical analysis which does not go farther back than the eighteen-nineties (or the late eighteen-eighties at the earliest) connot, regardless of factual accuracy, be relied on to show the Crow's Nest Pass Agreement and grain rates in proper perspective. The project of a Crow's Nest Pass railway was engendered and brought to fruition as a step in the evolution of national transportation

policy. The terms of the Agreement were designed

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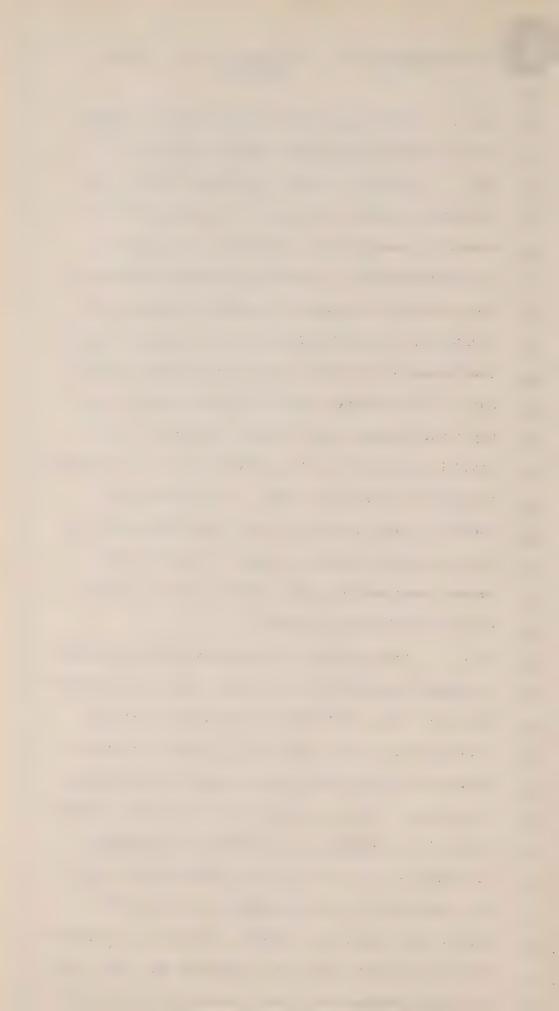
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for the furtherance of the national interest. 122. The use of public lands and revenues to complement private resources in the provision of essential transportation facilities was commonly accepted practice in Canada by the eighteen-nineties. The agreement to establish statutory reduction and limitation of specific freight rates looking to the development of an entire region was as much for the good of the Canadian Pacific Railway Company as of any other broadly based national interest. The benefits to flow from the agreement were to be diffused in generous measure and among a wide variety of economic groups including the prairie farmer and the Canadian Pacific Railway Company along with the eastern manufacturer, the merchant and the Canadian banking and financial system.

a separate submission on the Growts Nest Pass Agraement and grain rates only because the railways, on the authorization of the Commission, presented separate evidence on this phase of the Canadian transportation situation. This separate submission by the Province is not to be regarded as indicating any measure of acceptance of the view that the matters dealt with in the submission can be disposed of by themselves.

Indeed, the background material presented as essential to show the Crow's Nest Pass Agreement and grain rates in proper perspective is also background material factors.



Britnell, dir. 15061 (Carter)

to a proper appraisal of all phases of the transportation situation in Canada.

124. The Province of Saskatchewan will devote a part of its general submission to the presentation of

remainder of the province's submission and is essential

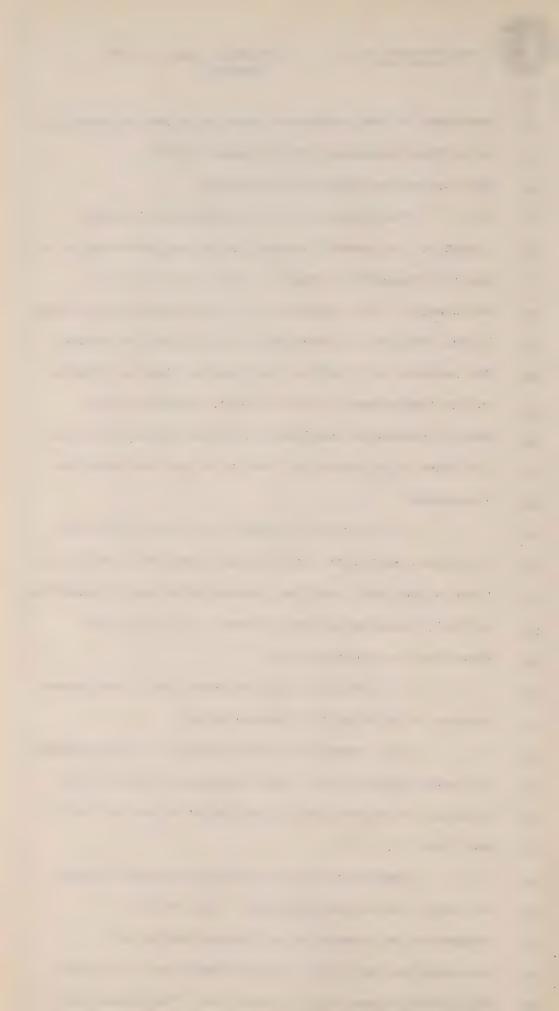
a part of its general submission to the presentation of specific suggestions which it hopes will be of assistance to the Commission in its search for solutions to the problems of transportation agencies in Canada.

The province is firmly of the opinion that no progress in the furtherance of the national interest can be made by examining the Crow's Nest Pass grain rates in isolation or by regarding them as a problem requiring a solution.

Q. Nor, Dr. Britnell, you have before you,
I believe, Part I of the province's general submission.
I would ask, sir, that you proceed with the presentation
of that, again making such comments or digressions
throughout as you may wish.

A. This is concerned with the Saskatchewan economy in relation to transportation.

- 1. The government of the province of Saskatchewan has participated in all major inquiries dealing with Canadian transportation in the period since the end of World War II.
- 2. During this period much has happened in the economic life of the province. When the last comprehensive submission on transportation was presented to the Turgeon Royal Commission in 194 -50 this province was only 45 years old. The decade whith



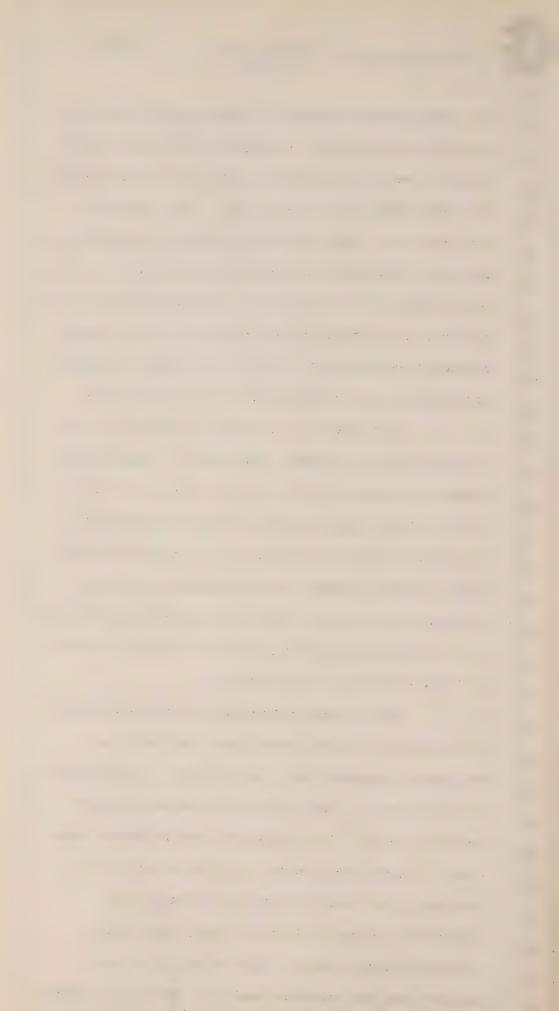
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has since elapsed represents about one fifth of our history as a province. During this ten year period certain trends in development have been confirmed and new developments have taken place. The destiny of our people was linked with the railway long before the province's formation and although the C.P.R. may not be the household word today that it was at the turn of the century, the economy of the province is still heavily dependent on transport by rail and barring unforeseen developments will continue to be so in the future.

3. Saskatchewan is located in the heart of the landlocked area of Canada. The point of equidistance between Vancouver and Fort William lies just west of a line between Swift Current and North Battleford.

Alberta and British Columbia do, in some cases, have higher freight charges than Saskatchewan on goods originating in central Canada but Saskatchewan has none of the advantages accruing to these provinces because of their proximity to the Pacific.

4. The railways themselves set the pattern for settlement in western Canada since virtually no settlement preceded their construction. Practically all urban areas, even to the smallest hamlets, are located on rail. In Saskatchewan the railways serve a settled area far in excess of that of any other province. Our improved farm land area in 1950 represented 40 per cent of the total cultivated acreage of Canada and was more than 70 per cent greater than the improved land area in 1950, quebe



and the Maritime provinces combined.

Agriculture is and will likely continue to

be the industry through which Saskatchewan contributes

most to the economy of Canada. In farming as in any

other business there is of necessity a continual

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Saskatchewan this has been reflected in a trend to larger farms. The average occupied acreage per farm has steadily increased in the province and in fact more than doubled between 1911 and 1956, the comparable figures being 295.7 and 607.6 acres respectively. This results in a thinly-spread population with density much less than in other parts of Canada. In Ontario, for instance, the farm population density in 1951 was one person for every 18 acres of improved farm land while in Saskatchewan in the same year it was one person for

every 97 acres and in 1956 it was 112. To conduct

farming operations efficiently today farms must be

machinery for seeding, cultivating, harvesting and

marketing. Cars and trucks are essential to the

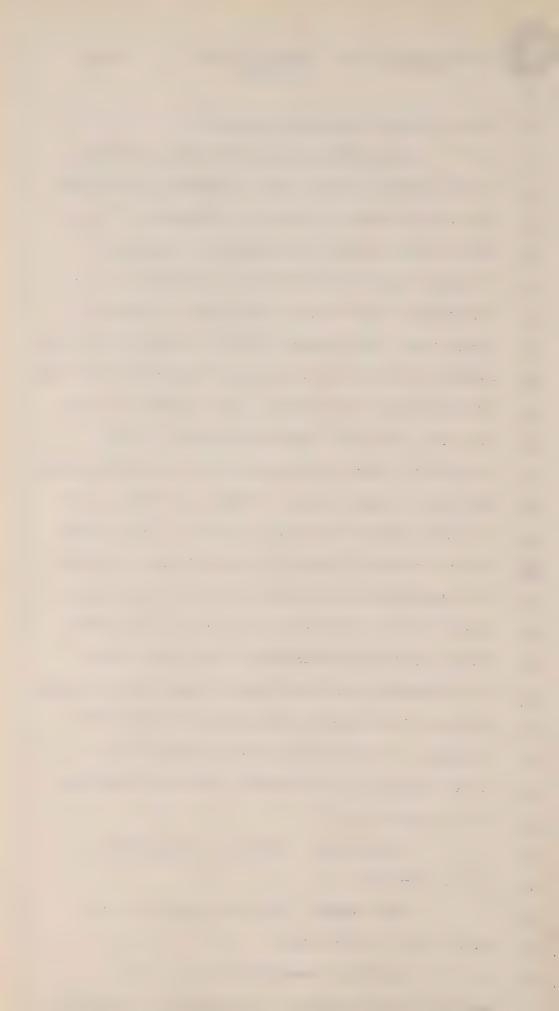
farmer because of the distances involved in carrying

fully mechanized and this requires modern and up-to-date

THE CHAIRMAN: That is, mechanization is less in density?

THE WITNESS: Yes, very definitely, as I shall show a little later.

6. Efficient transportation is a vital necessity for agriculture. Saskatchewan is essentialized



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a surplus producing province as far as food products, particularly grains and livestock, are concerned.

These bulky agricultural products must reach far distant markets, either in heavily industrialized creas of our own country or in the more heavily industrialized and populated countries abroad.

Manufactured goods of every sort must, in turn, be brought in for local consumption, on farms and in urban centres, from distances greater than would be necessary if the prairie region had access to major manufacturing centres in the middle-west of the United States and if it were not necessary, in the interests of national policy, to buy from the protected industries of central Canada.

Although grain farming remains the predominant 7. economic activity in Saskatchewan, a degree of diversification and a broadening of the industrial base have been apparent, particularly within the last ten The South Saskatchewan dam will permit a substantial acreage to be put under irrigation and the production of certain specialized crops will then be possible if markets can be reached. Urban population has increased and may be expected to increase still further, but the supplying of goods and services to rural areas is still the predominant urban activity. Nevertheless the province now has several industries which were not in existence ten years ago including a cement plant, a steel plant, a steel pipe plant and several other small units of industrial production.



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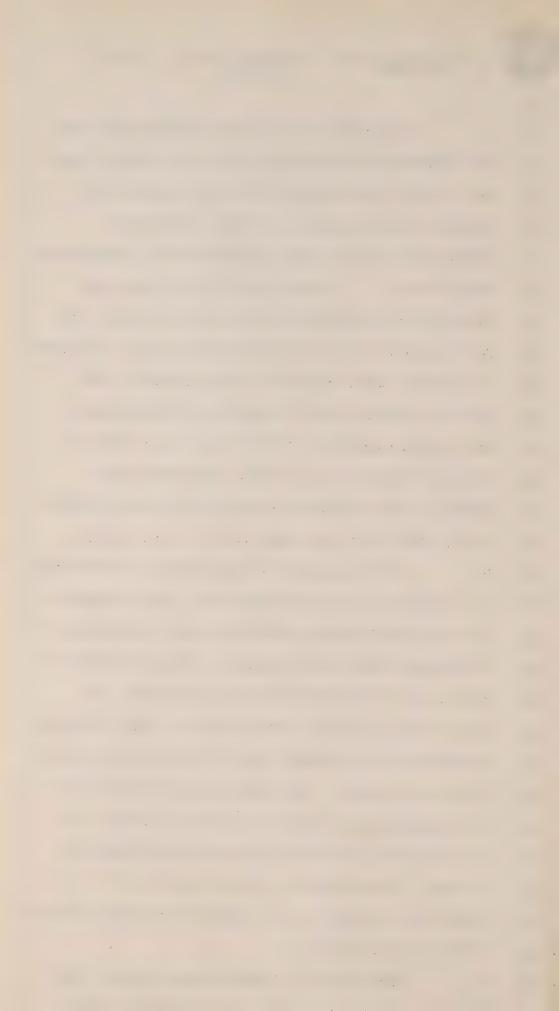
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The problem of transportation touches every 29 10. aspect of Saskatchewan life and its impact is felt 30

One of the most important developments which has occurred in Saskatchewan within the last ten years has been the establishment of an oil industry with medium and light gravity oilfields coming into production principally in southwestern and southeastern Saskatchewan. Coupled with this has been the increasing availability of natural gas for fuel. The development of the petroleum industry has had some share in promoting urban expansion, bringing with it the need for various types of servicing establishments. While great quantities of oil and gas have moved by truck and pipeline the railways undoubtedly have shared in the development particularly in the movement of pipe and other associated materials and supplies. 9. The development of Saskatchewan's forests has not progressed as much as might have been anticipated. It might have been expected that sizeable quantities of pulpwood would now be moving to various markets and that a pulp mill would have been established. would appear, however, that the rising level of railway freight rate: on p lpwood poses a serious threat to any further development. More than one-half of the area of S skatchewan is covered by continuous forest and only relatively minor utilization has been possible to date. There remains a great potential of significant interest in the promotion of railway freight traffic in this field.

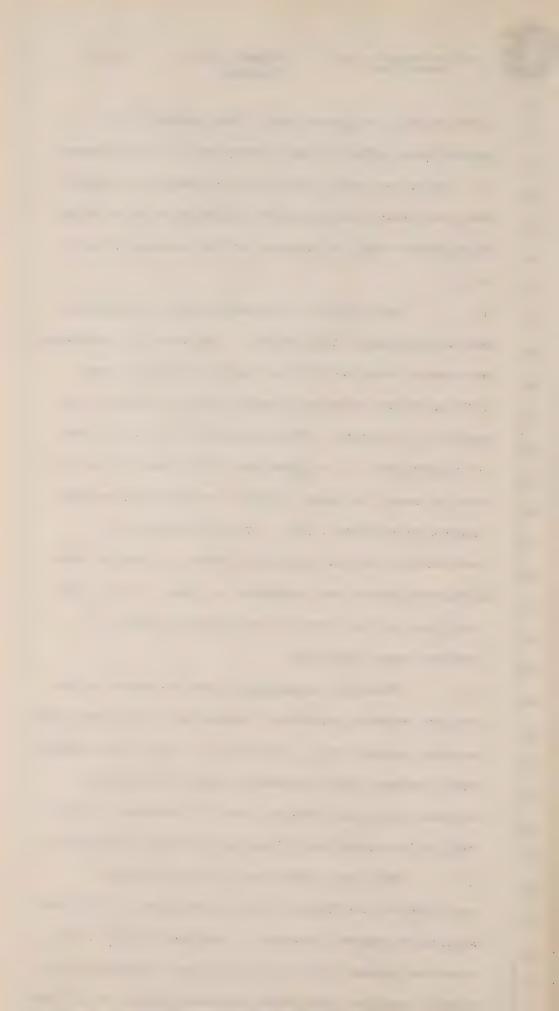


particularly in agriculture. The prosperity of agriculture affects almost every one in Saskatchewan in a major way and prairie prople understand better than many who live elsewhere in Canada that anything that affects any one segment of the economy affects all.

and unpredictable occupation. The year 1959 provides an example when millions of bushels of grain were left under the snow and, months later, could be only partially recovered. This represents not only loss of income but also of time and effort, as well as the cost of seed, the wear and tear on machinery and the expense of machinery fuel. This experience is nevertheless not as typical as years of drought when widespread losses have occurred or years of runt when crop loss has on several occasions been virtually complete over wide areas.

12. There are substantial settled areas in the province where agricultural production is now marginal and even submarginal. Increases in farm costs without corresponding price increases extend the area of marginal production and any drastic increase in costs could quite conceivably lead to widescale abandonment.

presented to the Turgeon Royal Commission in 1949 the permissive general increase in railway freight rates above the prewar level was 21 per cent whereas at the present time the permissive increase stands at 157 per



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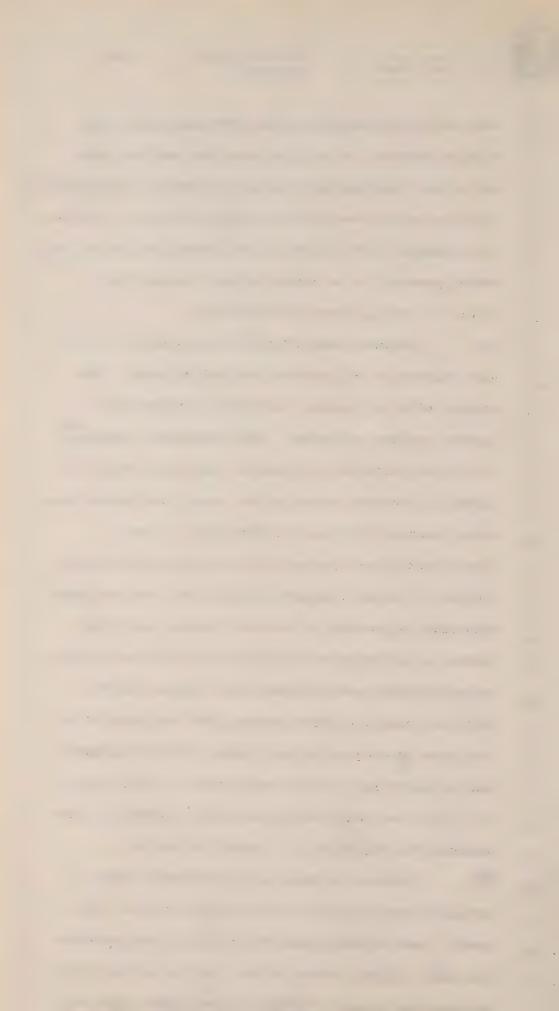
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cent subject to the reductions effected by the \$20 million subsidy. At no time over the past ten year period has Saskatchewan been able to regard transportation costs as having reached a stabilized plateau. Nor does the situation look bright for the immediate future, the trend appearing to be toward higher, rather than stable or lower, transportation costs.

Saskatchewan, of all the provinces, is the most vulnerable to increases in freight rates. Two hundred miles of prairie lie between its western borders and the mountains. The formidable barriers of Rockies, Selkirks and coastal mountains extend in virtually unbroken series to the coast, the entire area being practically devoid of farm land, of any significant population or of any prospects of revenue freight. Similarly between Winnipeg and the populated manufacturing centres of eastern Canada lies a vast stretch of sparsely settled territory with practically no agricultural potential and with freight traffic confined largely to that arising from the needs of a few paper, mining or railway towns. Between Regime and navigable water to the west there is a rail haul of 1,100 miles and from Regina to the Lakehead on Lake Superior the run by rail is nearly 800 miles.

Service by truck in Saskatchewan tends to present a more difficult problem than in most other areas. Much of the agricultural land in the province lies only slightly south of the latitude of James B.y and even our boundary with the United States lies well



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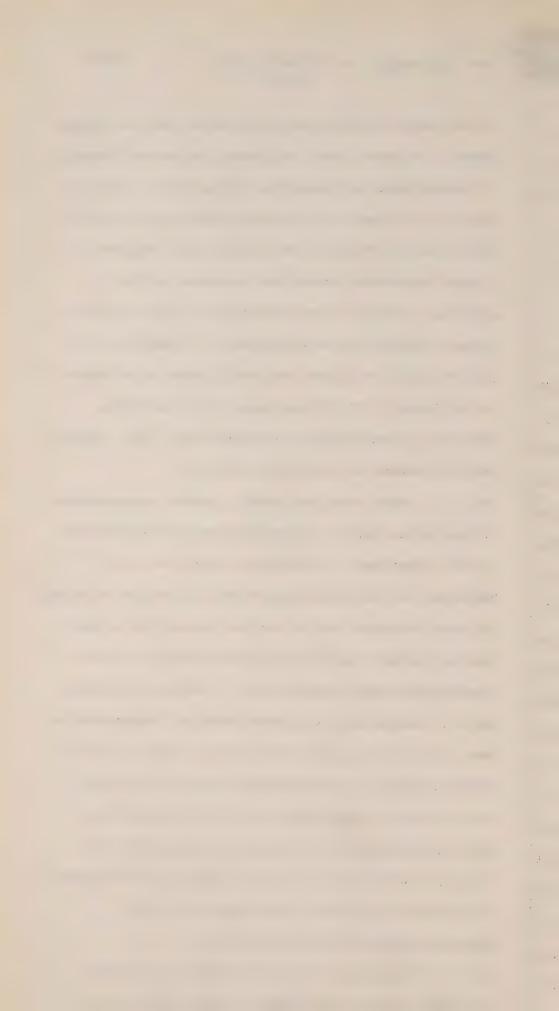
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canada. Winter living conditions and winter trucking in Saskatchewan are hazardous and uncertain, and the provision of hard surface roads permitting efficient service at all times to the people would require a highway system far beyond the resources of the province's thinly spread population. Saskatchewan's highway problem can be appreciated by comparing its 121,000 miles of highway and rural roads with Alberta's 64,000,0ntario's 72,000 and Quebec's 51,000 miles. (Road and Street mileage and expenditure, 1958. (Ottawa, Dominion Bureau of Statistics, 1960)).

16. Other provinces have a greater concentration of population and are therefore more readily serviced by road transport. In British Columbia and the Maritimes the vast majority of the population is served by ocean transport and in central Canada the inland waterway permits service by a wide variety of water carriers including ocean vessels. Not only do these parts of Canada have alternate modes of transportation service but at the same time railway rates are kept under control by the competition which they afford. The fact that Saskatchewan has long transportation hauls and obtains less benefit from water and truck competition than other provinces means that the impact of increases in freight rates falls with ever increasing severity on this province.

17. Precise statistical demonstration of the relatively heavy burden borne by the province for



railway transportation is impossible. Measurement of

the additional relative burden as freight rates increase

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is likewise difficult. Competitive rates have at times undoubtedly been increased and wherever possible they have borne some of the higher costs. However, competitive rates and agreed charges are subnormal rates and those areas exposed to the full impact of normal rates must bear a relatively greater burden. 18. Indicative of the disproportionate regional impact are the figures presented by Mr. L.J. Knowles, a member of the Board of Transport Commissioners. before the House of Commons Standing Committee on Railways, Canals and Telegraph Lines on April 14, 1959. (See Canada, House of Commons, Standing Committee on Railways, Canals and Telegraph Lines, Minutes of Proceedings and Evidence No. 1, Tuesday, April 14, 1959. (Ottawa, Queen's Printer, 1959), p. 16).) Mr. Knowles estimated that 56.7 per cent of the normal rated traffic moves on the western region, 26.5 per cent on the central region, that is Ontario and Quebec, and the balance, 16.8 per cent, on the Maritime region. The estimate indicates the approximate regional distribution of the \$20 million dollar subsidy to the railways enabling them to "roll back" to 10 per cent, the 17 per cent horizontal increase awarded by the Board of Transport Commi coners. Mr. Knowles' figures therefore suggest that 56.7 per cent of that part of the rate increase paid from the national treasury would have fallen upon traffic

moving on the western region and 16.8 per cent on

traffic moving on the Maritime region. By a later

order of the Board, April 27, 1900, a further "roll

back" to 8 per cent was ordered. (See Board of

Transport Commissioners for Canada, Order No. 96300,
dated November 17, 1958; Order No. 98424, dated
July 10, 1959; Order No. 101055, dated April 27,
1960. (Ottawa, Board of Transport Commissioners for
Canada).)

19. The government of the province of Saskatchewan
considers that Saskatchewan today shoulders an unduly

large share of the burden of freight charges

logical basis for such a redistribution.

relative to other areas. It is submitted that

redistribution of this burden is necessary. The

Province of Saskatchewan will attempt to suggest a



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Railways, Settlement and Agricultural Development

20. During the period of Canadian history immediately following Confederation in 1867 the problems of settlement and rail transportation from central Canada to the west coast were of primary national concern. American railways had extended westward across the continent to the Pacific coast and the whole vast western region of British North America was in danger of being abosrbed by the United States. In its submission entitled "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates: A Study in National Transportation Policy" the province of Saskatchewan has already outlined the nature of this threat and stressed its seriousness and has indicated the steps taken by the government of Canada to ward off American economic occupation. In that submission the province also outlined the factors which gave rise to dispute concerning the location of the Pacific railway in the east as well as in the west and which eventually determined its route throughout.

At all events, national considerations 21. dictated the timing of the construction of the Canadian Pacific Railway's main line, its actual location and other matters to which reference will be made later. Its construction as an all-Canadian railway was coincident with and unquestionably related to the tariff policy of 1879. Sir Charles Tupper in his Recollection of Sixty Years in Canada states:

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(Op. cit., p. 171).

"The National Policy (of tariff protection), in my judgment, is one of the bulkwards of Canadian national life. It made possible the building of the Canadian Pacific Railway, stimulated inter-provincial trade, and developed a solidarity of sentiment that has been growing stronger since Confederation was brought about."

Although the Canadian Pacific main line was completed in 1885 and other secondary lines such as that from Regina to Saskatoon and from Winnipeg to Yorkton were completed by 1890, settlement was very slow and disappointing. Worl wide depression had set in in 1873 and it was not until the middle eighteen-nineties that economic recovery occurred throughout the world and set the stage for the development of the Canadian west.

22. It is significant that it was at this time that the Crew's Nest Pass Act was passed and the government's policy for settling the west and promoting the flow of east-west trade in Canada was fully revealed. Sir Clifford Sifton expounded the policy in a letter to Hon. Charles Fitzpatrick,

Minister of Justice, on December 14, 1902: (Dafoe, John W., Clifford Sifton in Relation to His Times, (Toronto, 1931). p. 148.).

"Nearly six years ago,....I expressed the opinion to Sir Wilfrid that almost the

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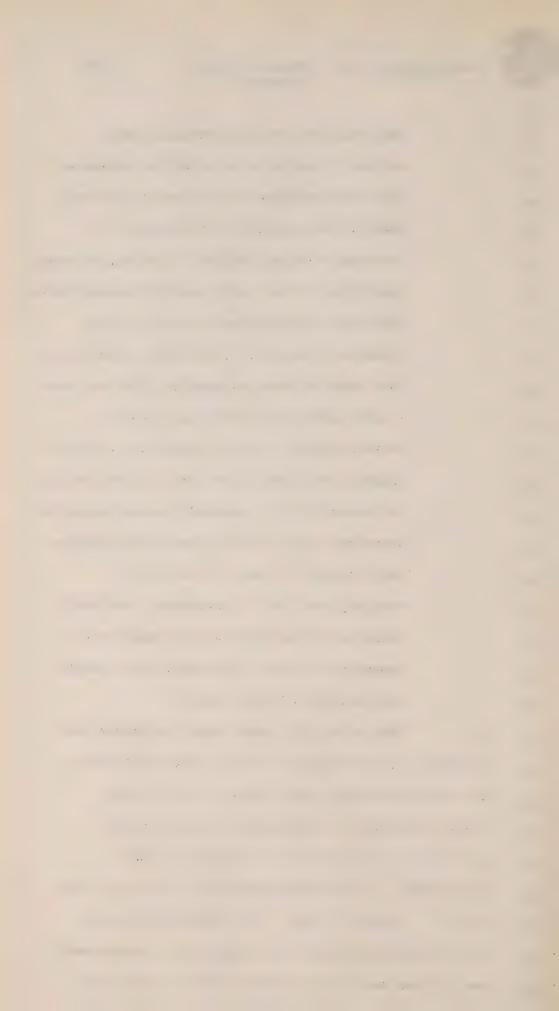
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only two problems of government which we had to deal with of a serious character, after the revision of the tariff, was the immigration question, the question of securing a large addition to the agricultural population of the west, and the transportation question, the question of getting their products to market. I said then, and I have not since altered my opinion, that to place a large producing population upon the western prairies and to inaugurate a system whereby the products of their labours should be brought to the seaboard through exclusively Canadian channels and shipped from Canadian parts (ports?), would of itself be enough glory for one government, and would bring such prosperity to the Dominion of Canada as to wholly transform the financial difficulties of the country."

23. The policy laid down under the Crow's Nest Pass Act had a profound effect on settlement and on the need for further rail lines. John W. Dafoe points out that "In 1896 there was not a single new mile of railway built in Manitoba or the Territories. In the next ten years 2,507 miles were built." (Ibid, p. 324). In 1890 wheat acreage in the Northwest Territories amounted to approximately one million acres. By 1900 the area in wheat had risen to 2.5 million acres and by 1910 to almost 8



Book I, p. 66).

million. (Sixth Census of Canada, 1921 (Ottawa, King's Printer, 1925), p. lv.)

24. Coupled with the policy of stable freight rates for marketing grain and for bringing in the machinery, binder twine, coal oil and other farmers' needs as specified in the Crow's Nest Pass Agreement, there was, of course, a vigorous policy for the promotion of immigration. Agents were employed to travel in the United States and in Europe to give information on the country and to publicize the generous terms of settlement which the government was willing to offer.

25. The prodigious speed of settlement in the west

and the properity of the years immediately following
the enactment of the Crow's Nest Pass measure and the
introduction of the attendant settlement policy could,
of course, scarcely be ascribed exclusively to the
beneficial results of purely domestic policies. The
western agricultural economy since the early days of
settlement had been strongly under the influence of
conditions external to this country, and with the
passage of time this influence has become more pronounced.
26. The impact of favourable external factors
in the early settlement period has been well expressed

in the Report of the Royal Commission on Dominion-

Provincial Relations: ((Ottawa, King's Printer, 1940),

"After 1896, the industrialization of western Europe and the United States proceeded at a pace which amounted almost to

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a second industrial revolution. In the
United Kingdom, France, Germany and the United
States, the output of pig-iron and coal
doubled between 1895-99 and 1910-14. The
rapid growth of population, combined with
the crowding of people into large industrial
cities, created a rising demand for foodstuffs,
particularly cereals. The full impact of
this demand was felt in Canada. Hitherto the
American west had been the granary for the
expanding industrial population of Europe.
But most of the good American lands had been
taken up and it was natural that further
demands for grain would push the frontier into
the open plains of the Canadian Northwest."

"Between 1896 and 1909-13,....the

average of the prices of all Canadian exports

increased 32 per cent, that of grains and

flour increased 62 per cent and the price

of wheat at Liverpool increased 33 per cent.

On the other hand, the average of the prices

of Canadian imports rose only 24 per cent

and that of manufactured goods 20 per cent

in the same period."

Other conditions were also favourable: (Ibid., pp. 66-7).

27. Freight rates, both ocean and rail, underwent substantial reductions. Ocean rates in 189 were only about half the level of 1870-75 and continued their downward trend until 1908. The Crow's Nest P ss Agreement.

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fully effective by 1899, added significantly to the reduction in rates of particular importance to the prairie wheat producer. In the words of the Royal Commission on Dominion-Provincial Relations: (Ibid., p.67).

> "The great decline in transportation costs, the increase in the prices of cereals and the relative cheapening of the factors which entered the cost of production, i.e., manufactured goods and imports in general, suddenly brought the virgin resources of the prairies within the scope of the international market and within the range of profitable exploitation."

From the earliest days wheat was the crop 28. upon which settlement was founded. Years before the Crow's Nest Pass Agreement was signed, experimental work had been done to see if it would be possible for wheat to mature in the new country and in 1883 the government removed the duty on Red Fife wheat imported from Minnesota. New methods were learned concerning the growing of wheat and the dominion government gave assistance through experimental farms. A limited amount of wheat had been exported even before the completion of the main line of the Canadian Pacific Railway. Of the buoyant world conditions following 29. 1896 the report on Dominion-Provincial Relations comments: (Ibid, p. 67)

> "The comparative uniformity of conditions, the concentration on a single crop

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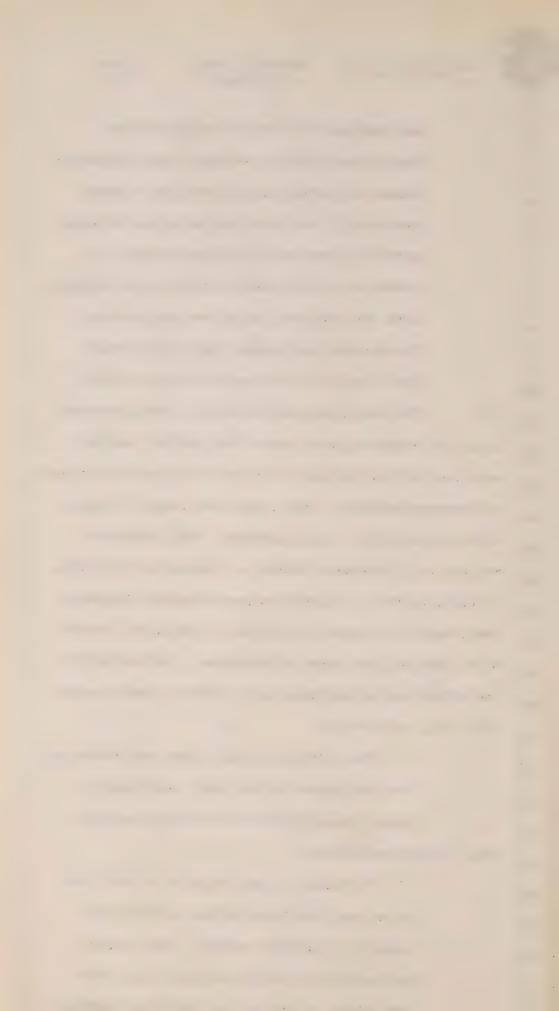
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and the ease with which transportation facilities could be provided and cultivation begun in a grassland terrain, meant that practically the whole region became at once profitable and open for development ..... Henceforth, the speed of development depended upon the availability of men and capital. The federal government threw its energies and resources into the provision of both."

30. The world economic situation, the government policy of fostering wide scale immigration, and the need for further railways to start the wheat on its way to consumer markets in the industrial areas of Europe were all part of a single pattern. The government was not only extremely active in immigration policies. it was also busily engaged in promoting and fostering the branch-line expansion program of which the Crow's Nest line was in a sense a forerunner. Referring to the situation in existence about 1900 Mr. Dafoe wrote: (Op. cit., pp. 144-5).

"Mr. Sifton, in his plans for furthering the development of the west, envisaged a steady enlargement of the railway mileage:" and, quoting Mr. Sifton,

> "I think for the Dominion to shut down on railway subsidies at the present time would be a suicidal policy. The country has now an opportunity which it has never had before of developing itself and geating



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population."

31. In the years immediately after the turn of the century railway lines were built at amazing speed. Not only was the Canadian Pacific Railway Company active in branch line construction, but the Canadian Northern and the Grand Trunk and Grand Trunk Pacific railways were also building. Rail lines penetrated many parts of the province and even before the outbreak of World War I were already into the semi-arid southwest, an area which at one time had been considered unfit for settlement. Land grant aubsidies were a commonplace form of assistance for the construction of branch lines until the policy of making such grants was discontinued in 1894 and the final grants "earned" by construction were not located until 1908. The province of Saskatchewan, as will be elaborated in Part II of this submission, bore a quite disproportionate share of the railway land-grant allocation. The railways, the province, and the federal government shared in the settlement and development of Saskatchewan and the other prairie provinces.

32. Although a number of policies, established either directly or indirectly at government level, were involved in the settlement of the west, the fact remains that the railways constituted and still constitute the framework of settlement in Saskatchewan and in this province perhaps more than anywhere else in Canada the railways are still essential to our economic well-being.

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33. In 1891 the total population of the "Territories" which included the future provinces of Saskatchewan and Alberta as well as part of what is now Manitoba, amounted to only 66,800 according to census data. By 1901 the population of Saskatchewan alone had risen to over 90,000 and by 1906 to over 250.000. Regina's population of 2,249 in 1901 rose to 5,169 in 1906; Moose Jaw increased over the same period from 1,558 to 6,249 and Saskatoon from 113 to 3,011. 34. The surge of population and settlement following

the turn of the century led in 1905 to the establishment of Saskatchewan as a separate province. Table I sets out the population growth of the area now occupied by the province of Saskatchewan from 1901 to the present time, and also the population of the two neighbouring provinces and of Canada over the same period.

In the early years settlement was over-35. whelmingly rural, but Table II shows the developing trend toward urbanization even in Saskatchewan. For censuses prior to 1951, urban population comprised persons living in incorporated cities, towns and villages regardless of size. For the 1951 census the definition was changed so that urban population included all persons living in cities, towns and villages with a population of 1,000 or over, whether incorporated or not, as well as those living in the metropolitan areas of large cities. Thus the data for 1951 and 1950 in Table II are not strictly comparable with the figures

for earlier years. The persistence of the decline in the rural proportion of the Saskatchewan population is revertheless clearly evident.

## TABLE I

POPULATION OF SASKATCHEWAN, MANITOBA, and ALBERTA AND CANADA, 1901-56.

Year	Saskatchewan	Manitoba	Alberta	Canada
1901	91,279	255,211	73,022	5,371,315
1906	257,763	365,688	185,195	
1911	492,432	461,394	374,295	7,206,643
1916	647,835	553,860	496,442	
1921	757,510	610,118	588,545	8,787,949
1926	820,738	639,056	607,599	
1931	921,785	700,139	731,605	10,376,786
1936	931,547	711,216	772,782	
1941	895,992	729,744	796,169	11,506,655
1946	832,688	726,923	803,330	
1951	831,728	776,541	939,501	14,009,429
1956	880,665	850,040	1,123,116	16,080,791

Source: Census of Canada and Census of the Prairie Provinces.

--- Short recess.



TABLE II

POPULATION OF SASKATCHEWAN AND DISTRIBUTION

	BETWEEN UR	SAN AND RU	RAL, 1901	to 1956.	
Year	Total	Rural	Urban	Rural Percent	Urban Percent
1901	91,279	77,013	14,266	84.37	15.63
1906	257,763	209,301	48,462	81.20	18.80
1911	492,432	361,037	131,395	73.32	26.68
1916	647,835	471,538	176,297	72.79	27.21
1921	757,510	538,552	218,958	71.10	28.90
1926	820,738	578,206	242,532	70.45	29.55
1931	921,785	630,880	290,905	68.44	31.56
1936	931,547	651,274	280,273	69.91	30.09
1941	895,992	600,846	295,146	67.06	32.94
1946	832,688	515,928	316,760	61.96	38.04
1951	831,728	579,258	252,470	69.65	30.35
1956	880,665	558,662	322,003	63.44	36.56

Source: Census of Canada and Cenus of the Prairie Provinces.

Mr. Chairman, I might add with respect to these statistics which I have been giving that a comparison of farm and non-farm population changes makes the trend somewhat clearer. Whereas in 1931 the farm population made up approximately three-fifths of the total and the non-farms two-fifths, by 1956 the statistics were completely reversed: the farm population made up two-fifths, the non-farm made up three-fifths of the total. I think that is a much more descriptive way of putting the trend.

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Jo. Table III presents a picture of the
agricultural growth of the province. The number of
farms rose sharply, particularly in the first
decade of the century but has decreased steadily
since 1936 and particularly in the last decade,
with the size of individual farms increasing steadily
except for a temporary check during the drought years
of the 1930s. (Improvements in census enumeration
methods have resulted in elimination of duplications
in the number of farms and the definition of a farm
was changed for the 1951 census. Some, but by no
means all, of the apparent reduction in the number
of farms since 1946 is accounted for in this way.).



TABLE III

NUMBER AND AREA OF FARMS AND ACREAGE UNDER FIELD CROPS IN SASKATCHEWAN, 1901-56.

Source: Consus of Canada and Census of the Prairie Provinces.

Acreage Under Field Crops	655,537	3,271,436	9,136,868	13,973,332	17,822,431	19,558,964	22,126,329	21,967,167	19,735,296	22,361,732	23,705,575	24,480,501
Average Improved Acreage Per Form	03.5		125.0	188.0	209.6	235.3	245.8	236.2	256.5	283.3	346.4	391.8
Acreage	1,122,602		11,871,907	19,632,206	25,037,401	27,414,490	33,548,968	33,631,608	35,577,320	25,590,239	33,306,770	40,506,000
Average Occupied Acraage Per Farm	285.1		295.7	80 80 80 80	366.5	300.1	6.704	399.6	432.3	0.574	17) 10 10	607.5
Acreage of Occup-	3,833,434		28,099,207	365,000,	701 650 3 H	11, 2916, 2120	0.11.00	; c. 39	1901.60,727	1	51,653,105	02,7.3,979
Number of farms	13,445	55,971	95,031	100,000	119,451	117,781	130,472	142,391	138,71	120,012	112,013	1956 103,351
Year	1901	1906	1911	1916	1921	1926	1931	1936	1941	1,7.0	1951	1956



Agriculture represents by far the greatest

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field for gainful employment in Saskatchewan and the percentage of the province's labour force in egriculture far outweighs the percentage for Canada as a whole. No census data are available to show proportions since 1951 when 56 per cent of Saskatchewan's male labour force was engaged in agriculture as compared with 20 per cent for the Dominion. It may be assumed that in the period since 1951 the trend had been toward a somewhat greater proportion of the gainfully employed deriving their livelihood from the non-agricultural segment of the provincial economy. This is to be expected with the further development of farm mechanization. Saskatchewan, how ever, is and is likely to remain the greatest producer of foodstuffs in Canada and a substantial portion of its secondary industry depends directly on agriculture for its existence.

The assembling of farm products for export emphasizes the heavy dependence of the province's economy on transportation. So also does the bringing in from distant centres of our requirements of consumer and capital goods. Althou, h in recent years there has been some increase in manufacturing and the petroleum industry is changing the economy to a degree, it is still true that agriculture is the first industry of the province and the most complex transportation needs are related to the servicing of agriculture.

In concluding this section it may be 39.

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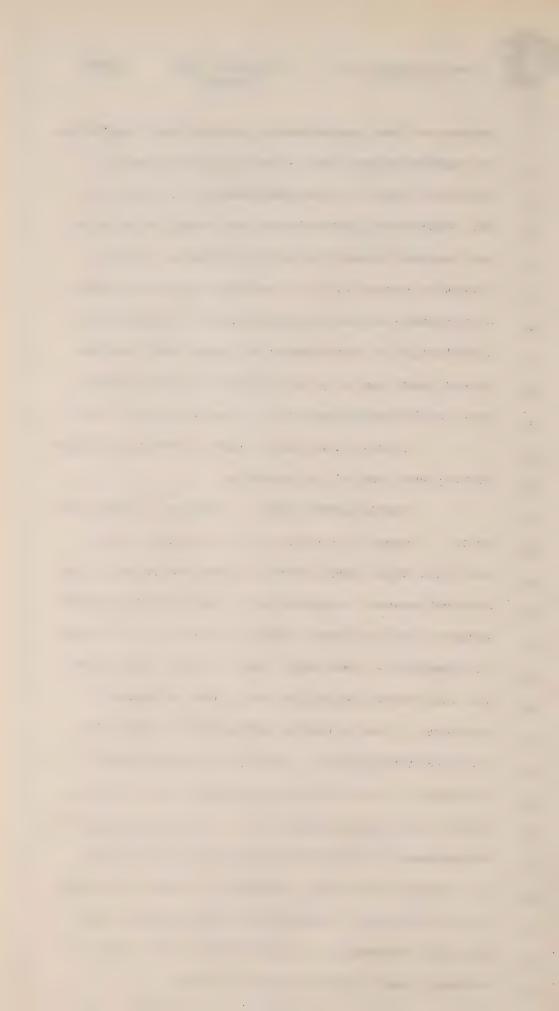
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emphasized that Saskatchewan produces vast quantities of foodstuffs per farm -- much more than can be corsumed locally or even nationally. To carry on this enterprise Saskatchewan must bring in producer and consumer goods from great distances. Transportation obviously is of tremendous and continuing significance to the province and our most effective contribution to the economy of Canada and Canadian export trade can only be realized if transportation cost can be maintained at the lowest possible level.

I would now like to turn to the agricultural economy and some of its segments.

COMMISSIONER MANN: Dr. Britnell, before you I have, of course, as my colleagues have, read this brief very carefully, and periodically you make references to agriculture being the predominent industry and the first industry, you say, as you have in paragraph 41, and again later in this submission you talk about agriculture being the predominant industry. I had a little difficulty in trying to understand what indices you use for making that statement. Is it in terms of employment, is it in terms of net value production. This is a suggestion, thatperhaps you might be helpful to us by telling un cometimes, not now - perhaps Mr. Carter can bring this out with you - what indices you use when you make this statement. I just say that now, and you certainly don't need to answer it now.

THE WITNESS: Yes. I think perhaps some of



COMMISSIONER MANN: It isn't clear to me.

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it will be clearer as we go through.

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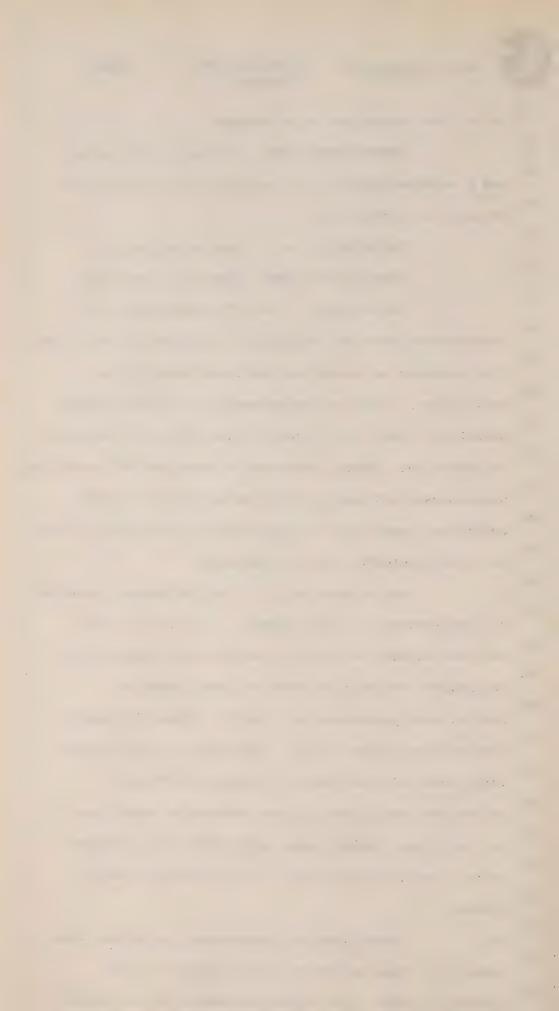
and I wondered whether you could help us at some time during your submission. THE WITNESS: Yes, I should be glad to.

> COMMISSIONER MANN: Thank you very much. THE WITNESS: 40. The development of

Saskatchewan from the beginnings of settlement and before its inception as a province was based squarely on agriculture. This was due primarily to certain natural advantages - but also in part to the design of Canadian statesmen who, taking advantage of these natural conditions, superimposed national policies which established the conditions upon which the agricultural settlement of the west was predicated and has continued,

Agriculture is still the predominant industry 41. of Saskatchewan by a wide margin. Its role in the national economy is that of the principle supplier of foodstuffs, not only in terms of total Canadian agricultural production but also by virtue of Canada's contribution to the world. There are in the province large areas of land ideally suited for efficient mechanized agriculture. Given favourable conditions in the future, Saskatchewan agriculture will continue to be of major significance for the province and for Canada.

Agriculture in Saskatchewan has always been 42. marked by a high degree of specialization in the growing of wheat, with almost two-thirds of the field



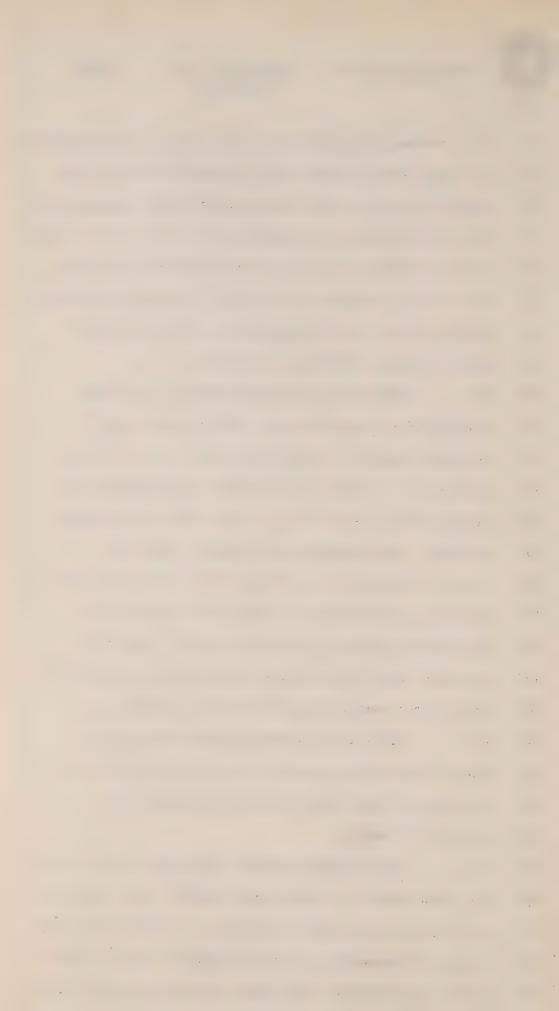
of field props is necessarily limited since oats and barrey are less suited than wheat to drier regions and the possibilities of irrigation, at least as far as the general pattern of field crop production is concerned, have yet to be proven in practice. Dairying and mixed farming are of less significance in this province than in either Manitoba or Alberta.

Wheat acreage expanded rapidly from the

opening of the century until 1921 but has since remained relatively stable (TableIV). For the last quarter of a century Saskatchewan has accounted for approximately 60 per cent of the total western wheat acreage. Saskatchewan has, however, shown the largest variations in yield per acre, with the result that her contributions to total wheat production have varied greatly from year to year. Over the past ten years the province has produced somewhat more than 60 per cent of the total prairie wheat crop.

44. Table V shows the area and production of coarse grains and flaxseed in Saskatchewan since 1900 and places these crops in proper perspective in relation to wheat.

45. Saskatchewan accounts for almost one-third of the cats acrease of Canada and somewhat less than one-half that of the prairie provinces. Nevertheless, the volume of shipments out of the province varies widely since a large part of the total production is used for livestock consumption on the farm. Furthermore, the



from time to time.



annual production shows wide variations since the crop is particularly sensitive to drought conditions. Growing conditions are relatively more favourable in the park belt than in the plains areas but throughout the province the decline of the horse as a source of power has steadily tended to reduce the area sown to oats. Although the greater part of the province's production is normally marketed in the form of livestock and livestock products, problems of disposal of oat surpluses in outside markets arise

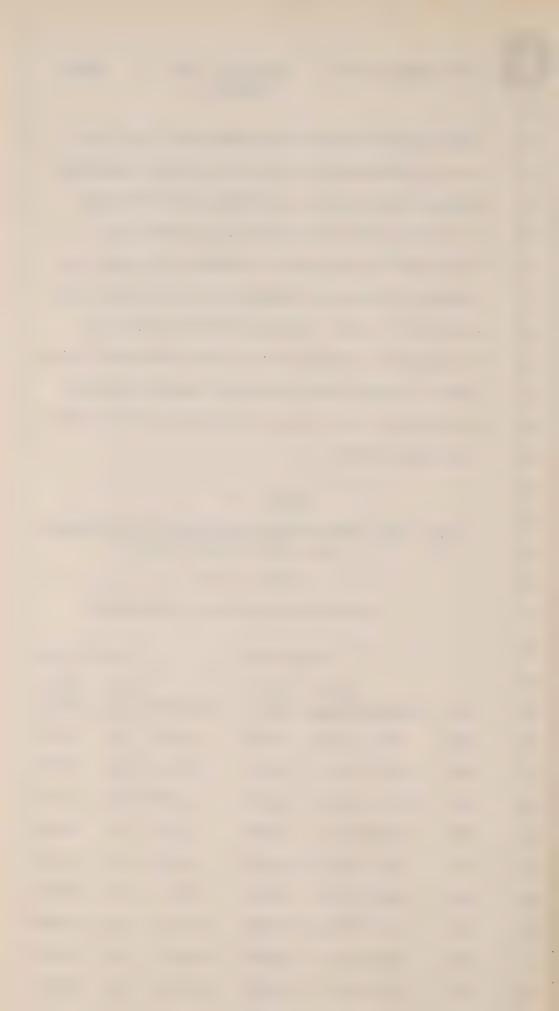
#### TABLE IV

## AREA, YIELD AND PRODUCTION OF WHEAT IN SASKATCHEWAN AND IN THE PRAIRIE PROVINCES

### 1900 to 1959

(Area and Production in thousands)

		PRAIRIE PROV.				
Year	Acreage	Yield Bus.	Prod.	Acreage	Yield Bus.	Prod. Bus.
1.900	487	8.8	4,306	2,495	9.4	23,457
1905	1,376	23.1	31,799	3,941	20.9	82,462
1906	2,117	23.7	50,182	5,062	21.8	110,587
1908	2,396	14.5	34,742	5,624	16.3	91,853
1909	3,685	23.1	85,197	6,878	21.4	147,482
1910	4,228	15.8	66,979	7,867	14.0	110,167
1911	5,256	20.8	109,323	9,990	20.9	208,697
1912	5,582	19.2	106,960	10,011	20.4	204,280
1913	5,720	21.3	121,559	10,036	20.9	209,262
1914	5,348	13.7	73,494	9,335	15.1	140,953

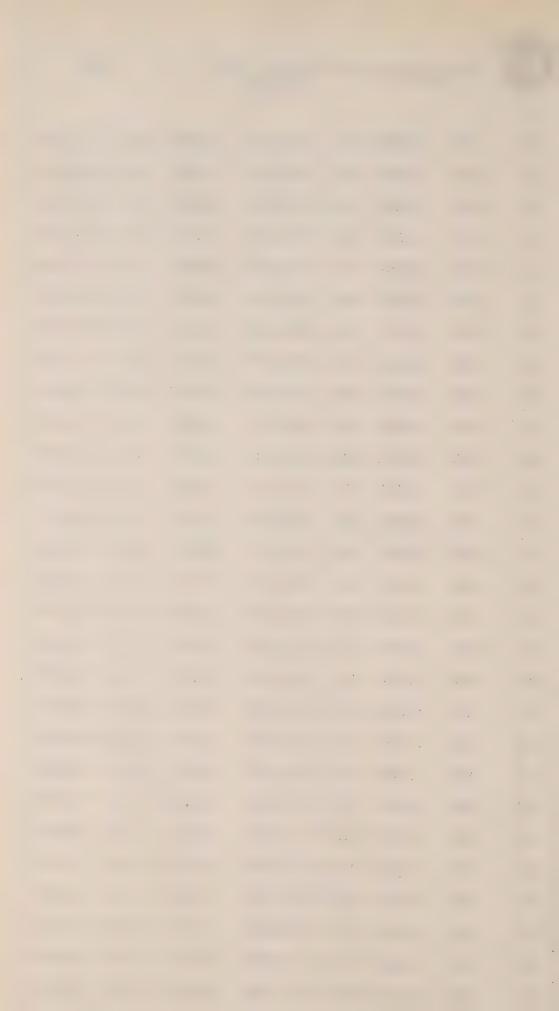




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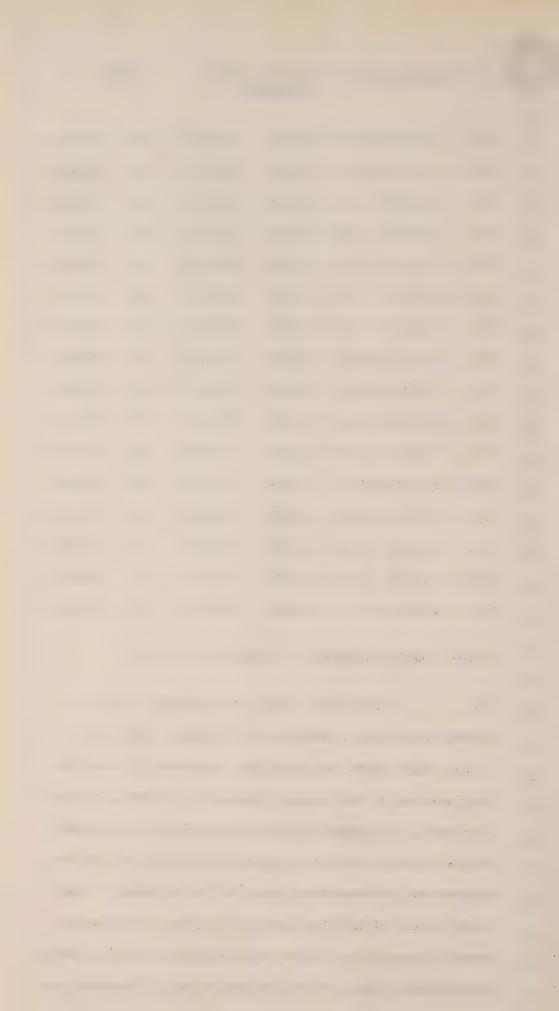
1							
2	1915	8,929	251.	224,312	13,868	26.0	360,187
3	1916	9,032	16.3	147,559	14,363	16.9	242,314
4	1917	8,273	14.3	117,921	13,619	15.6	211,953
5	1918	9,249	10.0	92,493	16,125	10.2	164,436
6	1919	10,587	8.5	89,994	17,750	9.3	165,544
7	1920	10,061	11.2	113,135	16,841	13.9	234,138
8	1921	13,557	13.9	188,000	22,181	12.6	280,098
9	1922	12,332	20.3	250,167	21,223	17.7	375,194
10	1923	12,791	21.2	271,622	20,880	21.7	452,260
11	1924	13,033	10.2	132,918	21,066	11.2	235,694
12	1925	12,509	18.8	235,472	19,760	18.6	367,058
13	1926	13,558	16.2	219,646	21,805	17.5	380,765
14	1927	12,979	19.5	252,500	21,426	21.2	454,559
15	1928	13,791	23.3	321,215	23,158	23.5	544,598
16	1929	14,445	11.1	160,565	24,197	11.5	279,336
17	1930	14,326	14.4	206,700	23,960	16.6	397,300
18	1931	15,026	8.8	132,466	25,586	11.8	301,181
19	1932	15,543	13.6	211,551	26,395	16.0	422,947
20	1933	14,743	8.7	128,004	25,177	10.4	263,004
21	1934	13,262	8.6	114,200	23,296	11.3	263,800
22	1935	13,206	10.8	142,198	23,293	11.3	264,096
23	1936	14,744	7.5	110,000	24,838	8.1	202,000
24	1937	13,893	2.6	36,000	24,599	6.4	156,800
25	1938	13,793	10.0	137,800	24,946	13.5	336,000
26	1939	14,233	19.1	271,300	25,813	19.1	494,000
27	1940	15,571	17.1	266,700	27,750	18.5	513,800
28	1941	12,195	12.0	147,000	21,216	14.0	296,000
29	1942	12,353	24.7	305,000	20,653	25.6	529,000
30	1943	9,622	15.2	146,000	16,026	16.7	267,800



1							
2	1944	13,200	18.3	242,100	21,900	17.9	391,700
3	1945	13,610	12.4	168,100	22,430	13.1	294,600
4	1940	14,226	14.6	208,000	23,731	16.6	393,000
5	1947	14,226	12.2	173,000	23,357	13.7	320,000
6	1948	14,389	13.3	191,000	22,820	15.6	356,000
7	1949	15,737	11.8	186,000	26,524	12.9	341,000
8	1950	16,500	16.5	272,000	26,382	16.6	439,000
9	1951	15,635	20.8	325,000	24,385	21.7	530,000
10	1952	16,600	27.0	449,000	25,372	26.7	678,000
11	1953	16,800	23.3	391,000	25,517	23.7	604,000
12	1954	16,600	10.2	169,000	24,707	12.3	305,000
13	1955	14,100	22.7	320,000	21,964	22.6	497,000
14	1956	14,569	24.4	355,000	22,064	25.0	551,000
15	1957	13,365	16.6	222,000	20,446	17.8	364,000
16	1958	13,182	14.6	192,000	20,244	17.1	346,000
17	1959	14,803	15.7	232,000	22,557	17.7	399,000

Source: Dominion Pareau of Statistics, Ottawa.

acreage has shown a tendency to increase, and this to the point where the province occasionally occupies the position of the largest producer in Canada. Barley, like oats, is, however, highly susceptible to drought and as a result has been grown most extensively in the eastern and northeastern areas of the province. High grade barley of malting quality is grown in the areas around Preceeville, Canora and Yorkton, in east central Saskatchewan, and a fairly sizeable export business has grown up with the United States in yellow-seeded,

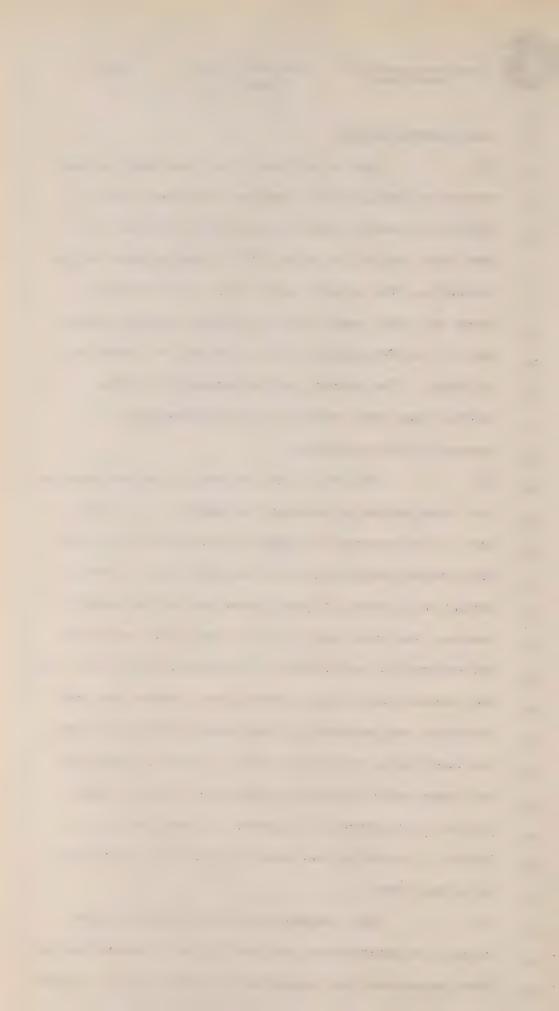


smooth-awned barley.

Rye is very much less important in the economy of the province than are the other grains. Yields and, under normal conditions, prices as well have been such as to offer little encouragement to its production. The greater part of the rye acreage is found on light, sandy soils in chronic drought areas where it is frequently sown in the fall to check soil drifting. The history of rye production in the province has been marked by wide fluctuations in acreage, yield and price.

also been marked by extreme fluctuations. In World War II flax acreage increased in response to the need for greater production of oil-bearing crops. Even during this period of good prices and active demand, however, the area sown to flax showed wide variation reflecting the persistence of production problems. In more normal peace time circumstances, demand has been uncertain and competition from other sources of supply has been keen. With the return of surplus conditions and lower market delivery quotas for wheat, a sharp revival of interest in flaxseed - as well as in barley - production has been evident in the last six or seven years.

49. The dominant position of wheat in the economy of Saskatchewan and the violent fluctuations in farm income are both emphasized in Table VI which shows the estimated cash income from the sale of farm



products in the province from 1926 to 1959 inclusive.

and other natural hazards, wartime demand and national

policy have operated, from time to time, to reduce

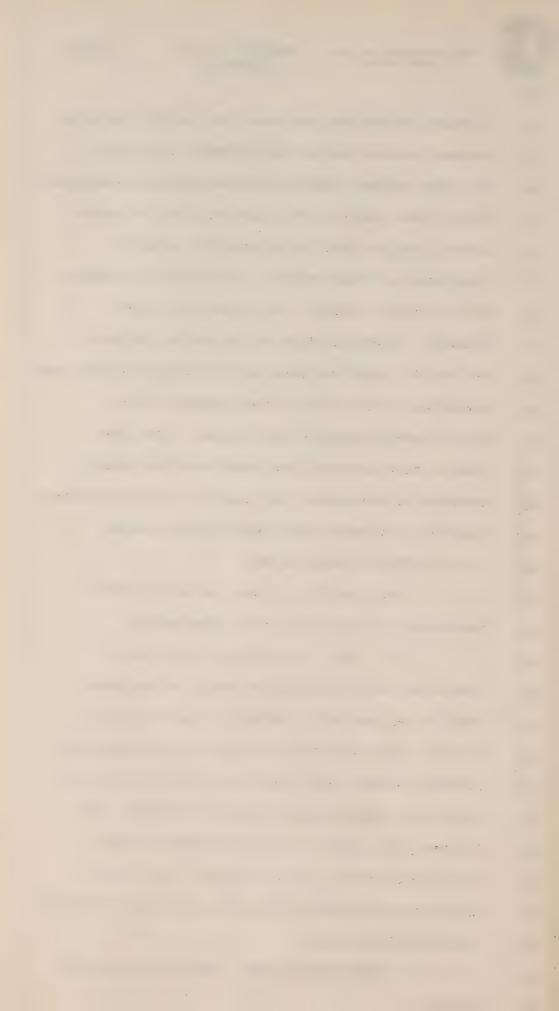
Various factors such as the incidence of drought

income from wheat and to increase the relative
importance of other sources, particularly livestock
and livestock products. When practicable and
economic, diversification is, of course, welcome
and the following sections of this submission will deal
specifically with each of the segments of the
agricultural economy of the province. The fact
remains that proceeds from wheat form the actual
backbone of provincial farm income. Any circumstance,
domestic or international, which affects wheat
vitally affects Saskatchewan.

MR. CARTER Q: Can you tell us what percentage of farm income comes from wheat?

A. Yes. I am rather sorry that we didn't put in a supplementary table to supplement Table VI on page 20. Taking the last ten years, and the proportions haven't varied significantly in previous decades, for some time, just about 572 per cent of all farm income has come from wheat, over the ten-year period. If you take wheat, coarse grains and flaxseed, that is about 72 per cent or almost three-quarters of the total have come from the grains or field crops.

COMMISSIONER MANN: What was that wheat



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THE WITNESS: Approximately  $57\frac{1}{2}$  per cent.

COMMISSIONER MANN: That is 1949 to 1959?

THE WITNESS: That is 1950 to 1959, that
en-year period. The low was 48.1 per cent in

ten-year period. The low was 48.1 per cent in 1955, and the high was 67.6 per cent in 1953. But the average, with those fluctuations ironed out, is just about 57½ per cent.

COMMISSIONER MANN: Have you got a separate index for 1959?

THE WITNESS: Yes, 53.5 per cent, that is rounded to the nearest point for wheat, and 11.2 per cent for the other grains.

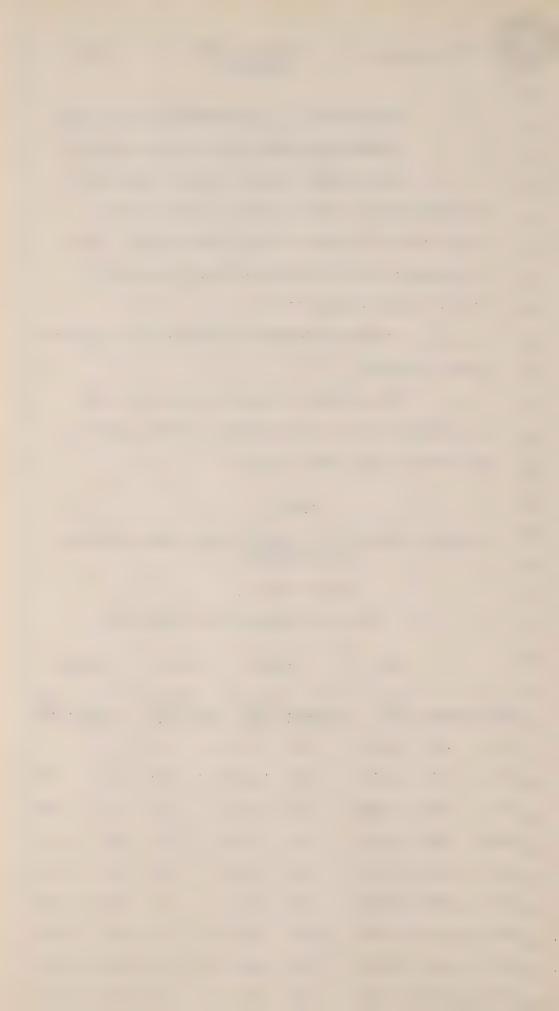
### TABLE V

AREA AND PRODUCTION OF COARSE GRAINS AND FLAXSEED IN SASKATCHEWAN

### 1900 to 1959

(Area and Production in Thousands)

19			OATS	BA	RLEY		RYE	FLA	AXSEED		
20			Prod.	^	Prod		Prod.		Prod		
2	Year	Acrease	Busa	Acreage	Buse	Acr.	Bus.	1:re	are Bus		
22	1900	142	2,270	12	187	1	12	er-	2		
23	1905	606	25,624	41	1,196	1	20	36	487		
24	1906	902	41,899	78	2,829	3	61	109	1,505		
25	1908	930	29,205	81	1,952	3	41	110	1,144		
26	1909	1,847	91,796	135	4,493	3	38	110	1,787		
27	1910	1,888	58,923	130	3,061	1	12	506	3,893		
28	1911	2,333	107,542	274	8,658	2	61	1,154	13,039		
29	1912	2,556	117,537	292	9,595	3	57	1,780	23,033		
30	1913	2,755	114,112	332	10,421	3	68	1,386	15,579		



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2	1914	2,520	61,816	290	4,901	3	54	958	6,131
3	1915	3,336	145,066	300	9,523	7	203	395	5,255
4	1916	3,792	163,278	367	9,916	23	548	542	6,692
5	1917	4,522	123,214	670	14,068	53	998	754	4,711
6	1918	4,838	107,253	699	11,888	123	1,420	841	4,205
7	1919	4,838	112,157	493	8,971	190	2,000	930	4,490
8	1920	5,107	141,549	519	10,501	172	2,535	1,141	5,705
9	1921	5,681	170,513	498	13,343	1208	3 13546	427	3,230
10	1922	5 <b>,0</b> 98	179,708	636	18,511	901	16164	466	4,079
11	1923	4,899	218,075	640	19,278	569	8,582	466	5,494
12	1924	4,942	97,345	954	17,360	178	2,507	927	6,119
13	1925	3,752	102,297	858	18,105	191	2,850	692	4,870
14	1926	3,921	110,193	872	21,891	307	5,454	520	3,744
15	1927	4,413	142,526	926	27,129	358	8,561	331	3,373
16	1928	4,359	156,043	1,621	44,266	471	8,412	279	2,654
17	1929	4,256	68,944	2,229	30,755	642	8,301	298	1,462
18	1930	4,531	125,509	2,016	40,522	1010	14875	431	3,900
19	1931	4,295	67,700	1,375	14,340	528	2,396	509	1,820
20	1932	4,365	107,400	1,329	23,400	482	5,190	381	2,200
21	1933	4,571	75,422	1,228	17,560	305	1,777	205	410
22	1934	4,625	64,288	1,088	12,403	346	1,320	175	542
23	1935	4,942	131,951	1,146	23,149	374	4,967	260	1,250
24	1936	4,684	65,462	1,302	16,627	336	1,489	366	1,240
25	1937	4,380	22,338	1,174	5,518	518	635	175	200
26	1938	4,171	90,000	1,207	20,000	292	3,400	139	725
27	1939	4,144	112,000	1,149	26,000	647	9,300	187	1,250
28	1940	3,880	93,000	1,251	23,500	607	7,000	232	1,650
29	1941	4,026	72,500	1,659	26,700	527	5,333	725	4,350
30	1942	4,791	249,000	2,468	92,000	847	15000	1100	10,900



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2	1943	6,120	189,000	3,316	80,000	<b>2</b> 95	3,300	2,200	12,800
3	1944	5,194	183,000	2,698	72,000	398	4,800	890	6,050
4	1945	5.073	127,000	2,555	52,100	259	2,620	550	3,200
5	1946	4,331	100,000	2,318	43,000	407	4,005	480	2,900
6	1947	3,983	80,000	2,780	45,000	756	7,300	850	5,100
7	1948	3,652	89,000	2,316	42,000	1470	12525	630	5,000
8	1949	3,381	85,000	1,800	33,000	724	4,750	122	600
9	1950	3,381	112,000	1,954	46,000	685	6,500	170	950
10	1951	3,815	148,000	2,449	73,000	710	9,800	296	2,300
11	1952	3,362	152,000	2,644	92,000	742	14200	360	3,900
12	1953	2,721	111,000	2,745	82,000	870	15300	324	3,300
13	1954	2,851	86,000	2,313	53,000	451	6,600	489	4,550
14	1955	3,654	135,000	3,846	104,000	457	8,250	1,030	11,300
15	1956	3,670	165,000	3,027	99,000	300	4,000	1,710	19,500
16	1957	3,214	80,000	3,791	80,000	268	3,200	2,025	10,500
17	1958	3,064	83,000	3,939	87,000	248	2,500	1,496	11,300
18	1959	3,303	94,000	3,148	74,000	254	3,000	1,162	8,700

Source: Dominion Bureau of Statistics, Ottawa.

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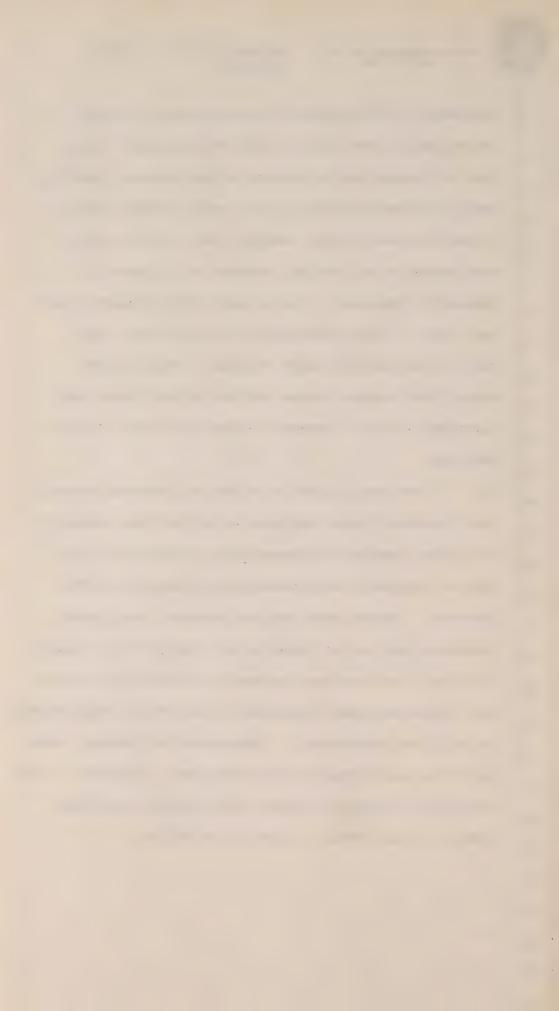
50. Survival of the Saskatchewan economy involves constant and unremitting effort to reduce costs in order to meet competition in world markets. New, improved and larger machinery has played an important part in the efforts of the prairie wheat grower to increase his efficiency and reduce his costs of production. The trend to mechanization is illustrated in Table VII. Heavy power equipment including the tractor, the motor truck, the harvester-combine and other large-scale farm machinery, have replaced the horse and horse-drawn



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implements. Following the initial period of rapid mechanization from 1921 to 1931 the trend was slowed down by drought and depression in the nineteen-thirties and by wartime shortages in the early nineteen-forties. In the post-war period, however, the trend has again been marked by a striking increase in all forms of mechanized equipment. Normal annual replacements alone are large. The importation of this equipment into the province and the large tonnage of repair parts moving from eastern Canada and the United States have furnished a vastly increased volume of traffic for the railways.

which produces large surpluses of agricultural products for export creates a corresponding inadequacy of the capital equipment and consumer goods required in the province. These goods must be obtained from distant producing centres and imported into the province, again with heavy reliance upon railway transportation services. The capital equipment required by the prairie wheat economy is bulky and sumbersome. Transportation charges, even under the most favourable circumstances, represent a heavy addition to factory costs and constitute a significant element in the farmer's costs of production.



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TABLE VI

ESTIMATED CASH INCOME FROM SALE OF FARM PRODUCTS AND SUPPLEMENTARY PAYMENTS

IN SASKATCHEWAN 1926 to 1959

(millions of dollars)

Coarse Cattle

	Goarse Cattle							Supp.			
7	Year	Wheat	Grain & Flax2	Calves	Hogs	Dairy Frod.	Poul.	Oth.	3pay-	II Tot	1
8	1926	240	17	9	8	8	6	5	C C STATE OF THE PARTY OF THE P	293	L
9	1927	216									
40	1921	210	22	11	7	7	6	4		273	
10	1928	256	29	13	6	7	6	5		323	
11	1929	184	23	12	8	8	6	5		247	
12	1930	85	9	6	7	7	6	3		124	
13	1931	44	5	6	5	7	4	3		73	
14	1932	59	4	4	3	6	3	2		80	
15	1933	55	5	3	4	6	3	2		<b>7</b> 9	
16	1934	62	8	5	7	7	4	3		96	
17	1935	74	5	9	7	6	. 4	4		110	
18	1936	80	12	11	9	7	11	5		128	
19	1937	35	5	19	9	7	4	6		85	
20	1938	64	3	6	4	7	2‡	4		93	
21	1939	120	7	9	5	6	5	5	2	159	
22	1940	101	7	13	10	7	5	6	7	157	
23	1941	89	12	16	21	11	6	6	18	178	
24	1942	75	.:5	22	ÜL		11	7	J3	251	
25	1943	122	86	28	44	20	13	9	17	340	
26	1944	<b>30</b> 5	84	35	59	22	17	12	12	546	
27	1945	196	82	48	33	19	16	11	3	409	
28	1946	208	62	52	21	20	14	11	12	401	
	1947	227	89	44	21	23	13	13	10	440	



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2	1948	297	76	80	22	27	16	16	17	551
3	1949	362	61	72	21	23	11	16	14	579
4	1950	215	56	83	18	20	9	12	8	422
5	1951	404	67	87	26	23	17	15	6	644
6	1952	461	119	52	27	22	16	15	3	716
7	1953	504	102	58	23	23	19	16	1	746
8	1954	264	74	55	24	23	18	12	1	471
9	1955	216	74	6 <b>0</b>	22	24	20	11	22	449
10	1956	<b>32</b> 8	126	61	23	24	20	14	1	598
11	1957	283	79	76	27	26	19	12	1	538*
12	1958	313	65	103	34	29	21	13	32	605*
13	1959	306	64	93	33	30	18	14	13	572*

- 1 Includes amounts paid on account of wheat participation certificates in years 1944 to 1959.
- 2 Includes amounts paid on account of participation certificates in years 1944 to 1959.
- 3. Includes sheep and lambs, and miscellaneous livestock and livestock products; potatoes, vegetables, miscellaneous crops; forest products.
- 4. Includes payments under the Prairie Farm Assistance
  Act, the Prairie Farm Income plan and the Wheat
  Acreage Reduction program.
- 5. Totals may not add exactly because of rounding.
- \* Totals for 1957, 1958 and 1959 take account of net cash advances made under provisions of the Prairie Grain Advance Payments Act as follows; 1957, \$15.2 million; 1958, \$4.5 million; 1959, \$1.3 million.

Source: Dominion Bureau of Statistics, Ottawa.





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Prairie

Prairie Prov.

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### TABLE VII

NUMBERS OF TRACTORS, MOTOR TRUCKS, COMBINES and GASOLINE ENGINES ON FARMS, SASKATCHEWAN AND PRAIRIE PROVINCES, 1921-56.

30,745

33,652

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39, 194

6,420

21,293

8,897

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21,517

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1931

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5,640

3,267

50,136

26,674

1926

19,243

1921

150,499

100,732

01,001 116,017

101,305

713, -53

1950 121,333 274,509

119,138

96,907

43,062

36,670

22,496

56,177

21,750

71,596 151,101

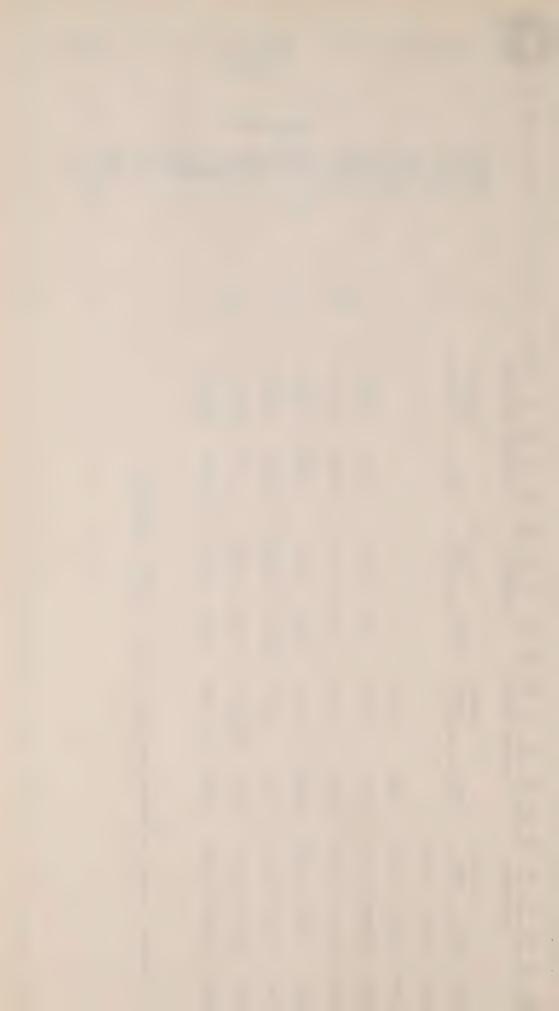
75,117

113,512

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1951 100,664 250,930

Saurce. Census of Canada and Census of the Prairie Provinces,



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52. Specialization in wheat, originally conceived as the only logical and economic means to promote rapid settlement and round out the Canadian economy has proved to be fundamentally sound for the prairie plains. Nevertheless, the production of a staple product for sale on the markets of the world in competition with producers in other countries inevitably results in the western farmer being compelled to accept world prices over which he has no control. Even with the maximum attainable degree of cooperation at international levels, the fact remains that, in the final analysis, the western wheat grower, remote from world markets, must accept the world price less the costs of transportation and handling. The hazard involved in violent price fluctuations is illustrated in Table VIII, which shows the average annual price per bushel received by Saskatchewan farmers for wheat of all grades from 1911 to 1959 inclusive.



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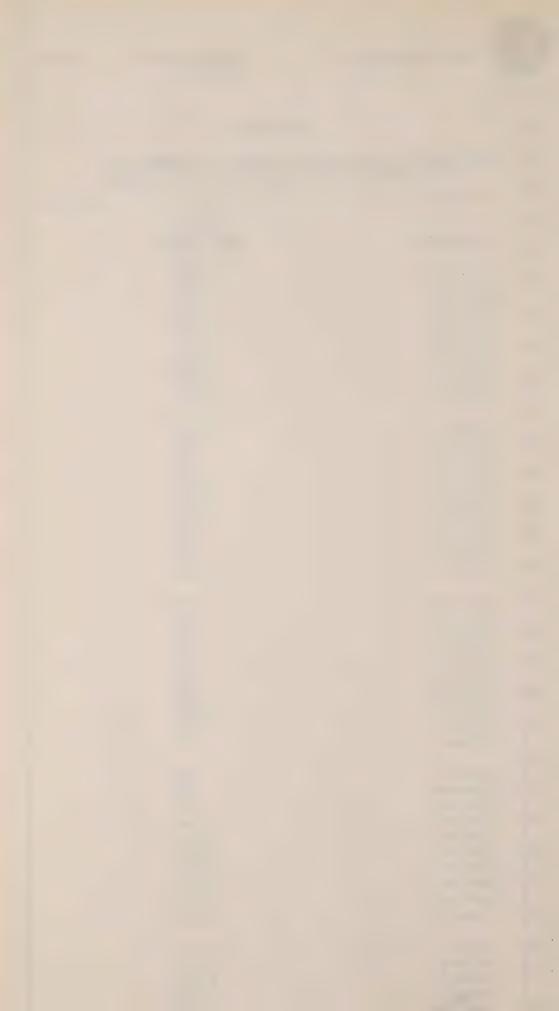
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TABLE VIII

ESTIMATED AVERAGE PRICE OF WHEAT TO FARMERS IN SASKATCHEWAN CROP YEARS 1911-12 to 1959-60

5		Dodge
	Crop Year	Price Per Bushel
6	1011 10	1
7	1911-12 <sup>1</sup> 1912-13	\$ 0.58
	1913-14	.56 .64
8	1914-15	.96
9	1915-16	.91
9	1916 <b>-</b> 17 1917-18	1.28
10	1918-19	1.95
	1919-20	1.99 2.32
11		
12	1920-21	1.55
14	1921-22 1922-23	.76
13	1923-24	
	1924-25	.65 1.21
14	1925-26	1.25
	1926-27	1.08
15	1927-28	•97
16	1928-29 1929-30	•77
	1929-30	1.03
17	1930-31	.47
	1931-32	38
18	1932-33	•35
19	1933-34	•47
17	1934 <b>-</b> 35 1935 <b>-</b> 36	.61 .60
20	1936-37	.92
	1937-38	1.05
21	1938-39	.58
22	1939-40	•54
22	7040 47	ro
23	1940-41 1941-42	.58 .59
	1942-43	• 77
24	1943-44	1.14
~~	1944-45	1.25
25	1945-46	1.64
26	1946-47	1.62 1.63
20	1947-48 1948-49	1.63
27	1949-50	1.61
28	1950-51	1.49
29	1951-52	1.52
23	1952-53	1.59





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1955-56		,	1.38
1956-57			1.24
1957-58			1.29
1958-59			1.32
1959-60			1.10*

\* Initial payment only.

Source: Dominion Bureau of Statistics, Ottawa.

The necessity for low, stable transportation rates in moving grain to market can only be appreciated when consideration is given to the difficulties and hazards both in grain production and in grain marketing, over which the western farmer has little or no control.

54. Saskatchewan as a whole is an area of relatively light rainfall and this is particularly true of the southwestern part of the province. The national policy under which Western C anada was settled did not discriminate between different parts of the prairie region. In view of the speed with which the prairies were settled in response to the national urge, it is scarcely surprising that grave mistakes in land use were made. The Report of the Royal Commission on Dominion-Provincial Relations tells the story in a few words:

"The occupation of the prairie lands
proceeded with little discrimination.

There were no classifications of resources,
no soil surveys, no climatic records to
guide either the government or the unwary
settler. The policies and methods of the
Dominion were mainly designed to serve the



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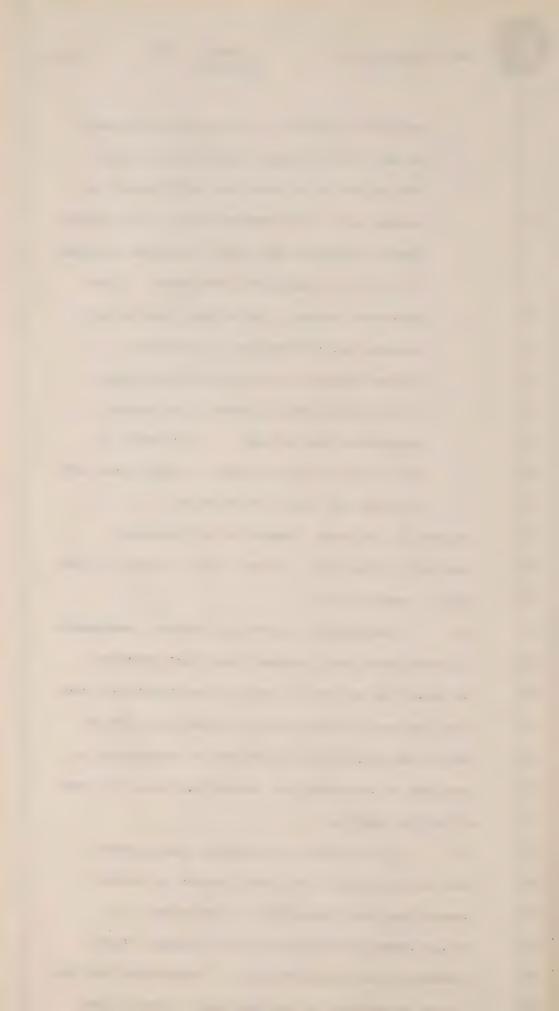
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national purpose of filling the Northwest at once with as many people as possible. The selection of land was left largely to chance and to the devices which colonization agents, railways and land companies employed in their own immediate interests. sectional survey, the railway land grant scheme, and preemptions illustrate a system designed for indiscriminate mass colonization and it worked with almost mechanical perfection. Adjustment to the vagaries and failings of nature was left to time and bitter experience."

(Report of the Royal Commission on Dominion-Provincial Relations, Ottawa, King's Printer, 1940, Book 1, pages 67-68.)

Throughout succeeding decades, weaknesses 55 in the agricultural economy have been revealed in recurring periods of drought and depression and over the past thirty years in particular the emphasis has shifted from problems of expansion to problems of conservation, consolidations, and more effective land use.

56. The effects of drought, insect pests, stem and leaf rust and other hazards of cereal production were discussed in some detail in Saskatchewan's Submission to the Turgeon Royal Commission on Transportation. Coinciding with the severe depression of the nineteen- thirties the



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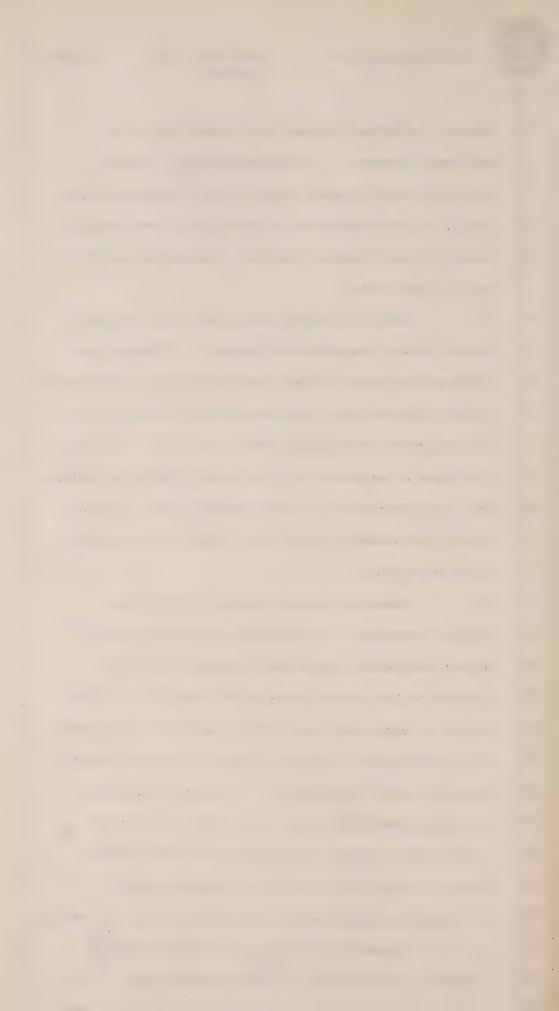
farmers in Saskatchewan in the postwar years. though these data do not relate solely to wheat, this

cumulative effect assumed the proportions of a national disaster. Although much was learned regarding agricultural practices and techniques as a result of the experience of those years two largely uncontrollable hazards remain -- nature and world market conditions.

57. Lack of rainfall has always been the main hazard facing Saskatchewan farmers. Although the southwestern area is most prone to drought, other parts of the province have also been subject to heavy and in some cases practically total crop loss. Table IV indicates a variation in total wheat production within the past quarter of a century ranging from a low of 36 million bushels in 1937 to a high of 449 million bushels in 1952.

Numerous natural hazards, other than

drought, persist. Periodically recurring grasshopper outbreaks require major expenditures by farmers to keep these pests under control. In a number of years when excellent crops were in prospect they were reduced to almost total failure over wide areas by rust infestations. Last year millions of bushels were lost under the snow, and even in normal years agricultural producers in the northeastern part of the province frequently face difficulties arising from late maturity and fall rains. Table IX shows the annual net income



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product assumes such significance in the agricultural economy that the figures indicate with a reasonable degree of accuracy the instability of the grain farmer's operations and income.

TABLE IX

NET INCOME OF SASKATCHEWAN FARM OPERATORS FROM FARMING OPERATIONS, 1945 to 1959

(in thousands of dollars)

11	Year	Net Income
12	1945	175,268
13	1946	257,188
14	1947	251,002
15	1948	376,365
16	1949	363,591
17	1950	259,767
18	1951	560,773
19	1952	584,764
20	1953	500,380
21	1954	144,799
22	1955	333,748
23	1956	438,808
24	1957	183,277
25	1958	246,885
26	1959	243,310*
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\* Preliminary

Farm Net Income 1959, (Dominion Bureau of Statistics, Ottawa, 1960.)

Saskatchewan has many marginal areas and many 60.



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marginal farms. Reference has already been made to the special incidence of drought in the southwestern part of the province. There is also a substantial cultivated acreage in Saskatchewan of poor quality, grey, leached types of soil; considerable areas of waste or semi-waste land are to be found in almost all parts of the province.

61. One of the major problems associated with agricultural production is of course the cost of commodities and services used by farmers. In postwar years these costs have risen relentlessly. At the same time farm prices of wheat and most other agricultural products have declined continuously since the early 1950s. This situation is usually referred to as the "cost-price squeeze."

prices of agricultural products in Saskatchewan and the price index numbers of commodities and services, exclusive of living costs, used by farmers in western Canada (no separate cost index is available for Saskatchewan). While the price indexes include sales of all agricultural commodities they are heavily weighted by grain. Looked at in any way, the cost-price squeeze obviously presents an extremely alarming situation for western agriculture. The American farm-price stabilization programme has played a significant role in this situation.



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TABLE X

INDEX NUMBERS OF FARM PRICES AND FARM COSTS, 1945 TO 1959

(1935-39 = 100)

6 7 8	<u>Year</u>	Index Numbers of Farm Prices of Agricult- ural Products  (Saskatchewan)	Index Numbers of Prices of Commodities and Services, exclusive of living costs, used by Farmers  (Western Canada)
9	1945	192.6	148.6
10	1946	217.3	153.6
11	1947	226.1	166.0
12	1948	247.1	190.3
13	1949	248.8	199.2
14	1950	251.5	207.0
15	1951	268.7	225.5
16	1952	245.9	238.6
17	1953	228.7	237.3
18	1954	208.7	235.7
19	1955	203.5	234.7
20	1956	208.5	243.3
21	1957	201.6	251.0
22	1958	201.5	257.5
23	1959	203.7	265.8

Source: Dominion Bureau of Statistics, Ottawa.

Canadian wheat encounters competition from 63. the wheat of a number of other countries in world markets. These competitors include particularly the United States, Argentina and Australia, although other countries, such as France, sometimes sell substantial



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quantities in the export market. In addition to Great Britain, the leading single importer of Canadian whea:, Belgium, the Netherlands, West Germany and Japan together take substantial quantities of our wheat. Prices are influenced by the economic conditions of both exporting and importing countries. In the postwar years, prices of wheat on foreign markets have fallen and this trend has been reflected in the prices received by Saskatchewan farmers. On the other hand the costs of commodities used by farmers as seen from Table X have risen with the general postwar inflation in Canada.

64. In the United States, where inflation has been at least as great as in Canada, and where farmers would if left to their own devices, have been in similar difficulties, the Government moved early to protect their position in a number of ways. During the war when prices were being held under price ceilings more than \$2 billion were paid to agricultural producers to assure them fair returns. (CSS Background Information -- Bl No. 2 -- October 1959, U.S. Department of Agriculture, Commodity Stabilization Service, page 4.) Agricultural prices are currently supported by loans, purchase agreements, outright purchases and other payments. (Price Programme, Agriculture Information Bulletin No. 135, United States Department of Agriculture, U.S. Government Printing Office, 1957, page 4.) The Commodity Credit Corporation of the United States



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Saskatchewan farmers reached a peak in the crop year 30

Government has authority to borrow up to \$14.5 billion for the support of agricultural prices. (CSS Background Information -- Bl No. 2 -- October 1959, page 2.) In 1958-59 price support for wheat averaged about 56 cents per bushel "to bridge the gap between domestic price levels and sales prices under the (International Wheat) Agreement". (CSS Background Information --Bl No. 1 -- October 1959, page 5.) Price supports are set by the United States Department of Agriculture. In addition to actual price supports grain 65. farmers in the United States have received low cost loans for the construction of farm-storage facilities and have received payments under the soil bank programme to take land out of production. Another integral part of the grain marketing programme in the United States In addition to has been their disposal policies. direct sales by government agencies, grain has been disposed of by barter, by sale for foreign currencies, by transfers to other agencies such as the International Cooperation Administration and by donations. Out of \$16.5 billion worth of products disposed of by the Commodity Credit Corporation between July 1, 1953 and June 30, 1959, just over \$7.8 billion were through the various methods referred to above, and only about \$8.7 billion were disposed of by domestic and export sales for dollars. (CSS Background Information -- Bl No. 3 -- October 1959, pages 6-12.) Table VIII shows that wheat prices for 66.



1919-20, following the first World War. Canadian wheat prices during and after the second World War were controlled and the farmer was asked to agree to this as part of the war effort. It is to be noted that in the crop years 1931-32 and 1932-33 wheat prices to farmers fell to 38 cents and 35 cents. There was, of course, no accompanying downward revision of grain rates.

67. By every criterion which may be applied, wheat remains of paramount importance. Its significance to the Province of Saskatchewan, as well as its importance to Canada both domestically and internationally, demands that the national transportation policy give full recognition to the part which wheat must continue to play in the Canadian economy.

#### (ii) The Livestock Industry

68. The livestock industry in Saskatchewan has

but, as Table XI indicates, its significance in the national economy has shown a moderate growth.

69. There was a steady increase in the number of milch cows in Saskatchewan until 1936, after which severe drought forced heavy liquidation of dairy herds. Although this decline in numbers continued through the 1940s and the 1950s it should be noted that the quality of dairy cattle has improved and, as will be shown in the discussion of the dairy industry which follows, the output of dairy products



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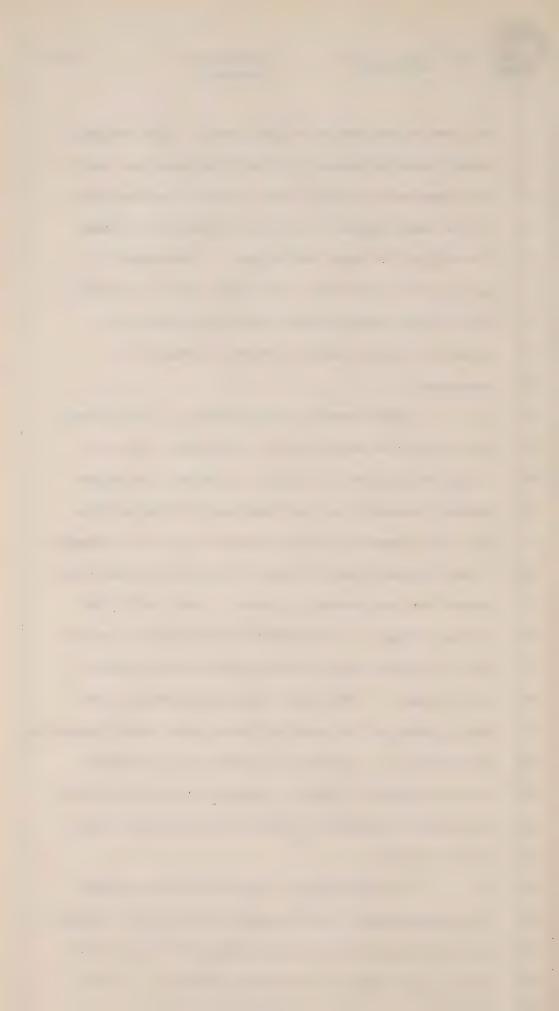
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has been maintained at a high level. The tendency towards specialization for dairy purposes has been quite apparent although many "milch" cows are still of the dual purpose type, that is they may be used for milk or for beef production. The number of milch cows is greatest in the park areas of eastern and northern Saskatchewan with specialized dairy herds serving the larger centres of Regina and Saskatoon.

The increase in the numbers of cattle other 70. than milch cows was checked by the price collapse in the early 1920s and again, following a slow and painful recovery, by feed shortages following 1936. The cattle population rose markedly under the stimulus of war prices after 1941 and the trend over the last decade has been strongly upward. Beef cattle are produced largely in southwestern Saskatchewan and in the park areas of the eastern and northern parts of the province. The cattle population tends to be much lighter on the prairie plains where wheat production Scarcity of water and the hazards predominates. of feed production make a long-term cattle production programme an uneconomic proposition for most farmers in those areas.

71. Hog production is particularly sensitive to changing price relationships, so that fluctuations in numbers have actually been much more marked from year to year than are revealed in Table XI. Thus the number of hogs on Saskatchewan farms rose to



upwards of 1.5 million in 1943 and approached the

1 1/4 million mark in both 1942 and 1944. Hog

production tends to be concentrated in the eastern

northeastern and northern areas of the province.

Under certain price relationships hog production

may take place in conjunction with grain growing in

other parts of the province as well. In any case,

production tends to fluctuate greatly since the nature

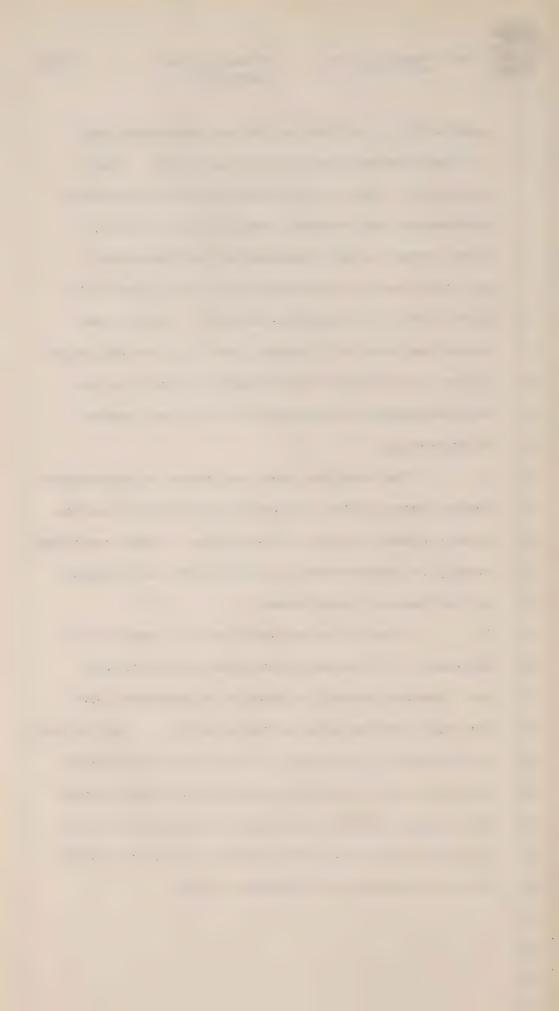
of the hog production cycle enables farmers to make

rapid adjustments in response to price and market

relationships.

72. The sheep and lamb population in Saskatchewan dropped sharply after the end of World War II but has shown a modest increase in the 1950s. Sheep are found largely in south-central, southwestern, east-central and northwestern Saskatchewan.

73. It may be noted that areas of greater concentration of livestock production are discernible but livestock population tends to be scattered over the entire settled area of the province. The regional distribution is indicative of the long-run influence of natural factors on the agricultural economy, while national and international policies and the trend of livestock prices and their relation to those of grain determine shorter-run production trends.



#### TABLE XI

# LIVESTOCK POPULATION OF CANADA AND OF SASKATCHEWAN

#### 1906-59

#### MILCH COWS

Canada		Saska	Saskatchewan		
Year	Numbers	Numbers	% of Dominion Total		
1906	2,702,500	112,600	4.2		
1911	2,645,200	154,600	5.8		
1916	2,880,600	285,700	9.9		
1921	3,086,700	349,900	11.3		
1926	3,373,000	406,000	12.0		
1931	3,371,900	424,000	12.6		
1936	3,805,400	564,800	14.8		
1941	3,626,100	437,700	12.1		
1946	3,485,000	399,100	11.5		
1951	2,973,000	316,200	10.6		
1956	3,160,000	272,200	8.6		
1957	3,147,000	261,000	8.3		
1958	3,129,200	254,000	8.1		
1959	3,107,800	248,000	8.0		





TABLE XI (Cont'd)

#### CATTLE OTHER THAN MILCH COWS

	Canada	Sask	atchewan % of Dominion
Year	Numbers	Numbers	Total
1906	4,499,100	360,300	8.0
1911	3,880,900	479,000	12.3
1916	4,618,300	727,300	15.7
1921	5,282,800	946,000	17.9
1926	4,444,600	754,100	17.0
1931	4,601,100	764,900	16.6
1936	5,023,600	970,200	19.3
1941	4,891,100	803,500	16.4
1946	5,689,100	1,099,000	19.3
1951	5,390,100	958,600	17.8
1956	7,851,200	1,596,800	20.3
1957	8,149,000	1,659,000	20.4
1958	7,871,800	1,606,000	20.4
1959	8,012,200	1,602,000	20.0





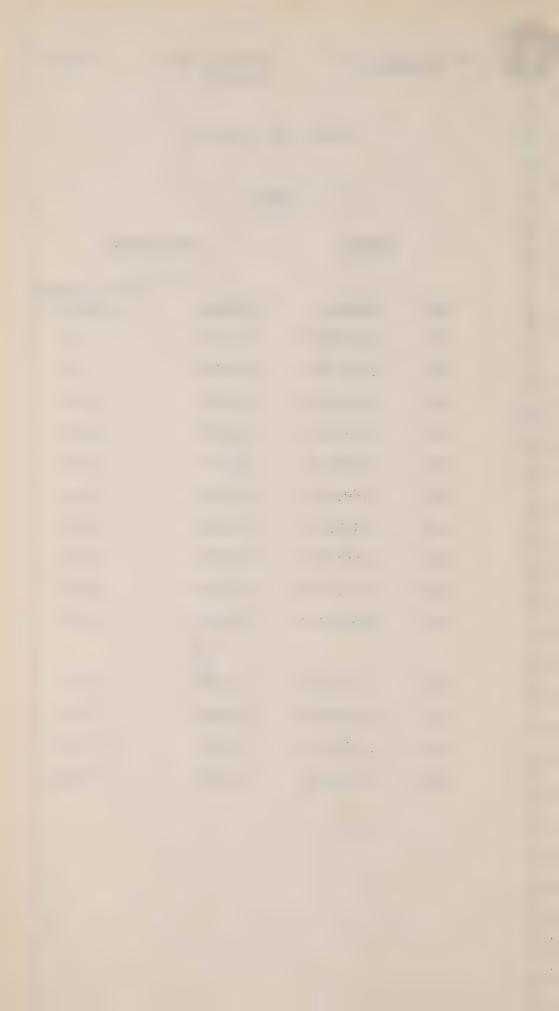
## ANGUS, STONEHOUSE & CO. LTD. TORONTO, ONTARIO

Britnell, dir (Carter)

TABLE XI (Cont'd)

### HOGS

Canada		Saskatchewan		
Year	Numbers	Numbers	% of Dominio	
1906	3,378,800	123,900	3.7	
1911	3,634,800	286,300	7.9	
1916	3,561,800	530,700	14.9	
1921	3,324,300	419,700	12.6	
1926	4,036,700	597,700	14.8	
1931	4,699,800	949,000	20.2	
1936	4,135,800	666,800	16.1	
1941	6,081,100	943,700	15.5	
1946	4,277,000	523,200 %	12.2	
1951	4,914,300	533,300	10.9	
1956	4,730,900	591,900	12.5	
1957	4,857,000	633,000	13.0	
1958	6,164,000	890,000	14.4	
1959	6,872,000	845,000	12.3	



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Source:

TABLE XI (Cont'd)

SHEEP AND LAMBS

	Canada		tchewan	
Year	Numbers	Numbers	% of Dominion	
1906	2,543,000	121,300	4.8	
1911	2,174,300	114,200	5.3	
1916	2,333,900	124,200	5.3	
1921	3,200,500	194,700	6.1	
1926	2,829,700	161,800	5.7	
1931	3,627,100	281,000	7.7	
1936	3,159,400	342,300	10.8	
1941	2,339,800	330,000	14.1	
1946	2,791,700	332,800	11.9	
1951	1,461,200	136,100	9.3	
1956	1,619,700	142,700	8.8	
1957	1,661,000	154,000	9.3	
1958	1,713,000	175,000	10.2	
1959	1,761,000	187,000	10.6	

Dominion Bureau of Statistics, Ottawa



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Table XII, which shows commercial marketing of cattle and hogs originating in Saskatchewan compared with Canada as a whole, indicates the relative position of Saskatchewan as a source of Canada's meat supply for domestic consumption and for the export market. After a decline from war and postwar peaks Saskatchewan's marketings of cattle rose to establish new records in 1957 and 1958. Since 1926 Saskatchewan has accounted for from 17 to 25 per cent of Canada's commercial cattle marketings, the percentage tending to hold close to the top figure during the war and immediate postwar years. Peak marketings of Saskatchewan hogs were reached in 1944 when almost two million animals were marketed. This record was followed by a sharp decline to 1950. An irregular but substantial upward trend has characterized the last decade reaching a postwar peak of more than 900 thousand in 1959. Saskatchewan contributed almost 22 per cent of Canada's total hog marketings in 1944. However, the proportion has varied greatly. In 1959 this province accounted for onetenth of canada's hog marketings. Marketings of Saskatchewan sheep and lambs 75.

declined from more than 160,000 in 1945 to about 40,000 in 1951 and have held at a level somewhat above that figure since that time, marketings in 1959 being close to 48,000 -- or about 8 per cent of the total of 584,600 for Canada in that year.

A broad appraisal of the position of the

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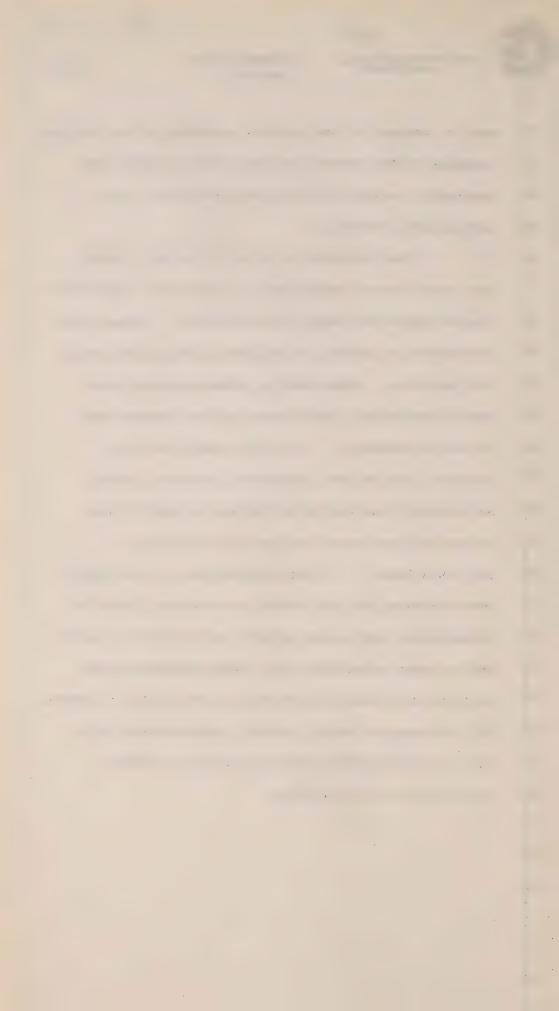
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cattle producer in the prairie provinces offers striking examples of the varied problems, both economic and geographic, which influence many sections of the agricultural economy.

The livestock industry in western Canada 77. even under normal conditions is faced with competitive disadvantages and market uncertainties. Range cattle production is carried on in areas distant from available markets. Consequently, transportation costs are of particular significance in the Saskatchewan livestock industry. Livestock and livestock products, unlike most industrial products, cannot be withheld from the market during periods of low prices and producers frequently are forced to sell at a loss. In the drought years of the nine. teen-thirties the feed situation became so acute in Saskatchewan that stock growers were forced to liquidate a large proportion of the herds which they had built up with great effort over a long period of years. This represented actual capital disinvestment which was reflected in the greatly reduced marketings immediately following 1937.



### TABLE XII

# COMMERCIAL LIVESTOCK MARKETINGS, CANADA AND SASKATCHEWAN 1921 - 59

#### CATTLE

	CANADA	SASKAT	CHEWAN
Year	Numbers	Numbers	% of Dominion Total
1921	<b>7</b> 59 <b>,5</b> 93	93,867	12.4
1926	1,052,663	210,904	20.0
1931	699,496	136,919	19.6
1936	1,282,552	313,101	24.4
1941	1,344,794	227,433	16.9
1946	1,900,768	481,405	25.3
1951	1,601,156	304,698	19.0
1952	1,427,993	261,767	18.3
1953	1,767,599	<b>369,</b> 895	20.9
1954	2,008,101	416,252	20.7
1955	2,070,325	399,071	19.3
1956	2,324,223	439,901	18.9
1957	2,604,968	561,243	21.5
1958	2,706,984	574,111	21.2
1959	2,305,146	486,448	21.1

Source:

Annual Livestock Market Review (Department of Agriculture, Ottawa)

CANADA

SASKATCHEWAN

TABLE · XII (Cont'd)

COMMERCIAL LIVESTOCK MARKETINGS, CANADA AND SASKATCHEWAN 1921 - 59

#### HOGS

	CANADA	<u>S</u>	ASKATCHEWAN
Year	Numbers	Numbers	% of Dominion Total
1921	1,412,280	55,730	3.9
1926	2,699,480	278,449	10.3
1931	2,643,372	398,850	15.1
1936	3,796,952	570,013	15.0
1941	6,216,207	857,023	13.8
1946	4,460,736	513,776	11.5
1951	4,894,542	327,926	6.7
1952	6,698,642	534,673	8.0
1953	5,002,814	419,888	8.4
1954	5,078,715	421,346	8.3
1955	5,916,584	5 <b>62,3</b> 59	9.5
1956	5,959,605	576,804	9.7
195 <b>7</b>	5,400,239	534,942	9.9
1958	6,458,848	704,201	10.9
1959	8,568,217	908,343	10.6

Annual Livestock Market Review Source: (Department of Agriculture, Ottawa)



The ranching areas and bush lands of the

prairie provinces offer many natural advantages to the

raising of large numbers of high quality stock. The

limits of production are being steadily expanded by

the conservation and developmental policies of

provincial and federal governments. Provincial

activities are in the main directed to measures to

ment's Prairie Farm Rehabilitation Act, community

wheat lands to grass, thereby removing areas from

uneconomic grain production and facilitating their

also taken advantage of the provisions of the PFRA

programme to develop small stock-watering dams to

production were demonstrated in the west during the

war years when all previous records were surpassed.

Some reductions from the high levels were to be

livestock trends. Price fluctuations create

Uncertainties and, as indicated, the relationship

of grain and feed prices influence production plans.

To the extent that economic factors are favourable

to livestock production, the broadening of the base

conserve spring runoff and store water.

use for stock raising. Many farmers and ranchers have

The potentialities of prairie livestock

Cyclical variations are inherent in

encourage the building of feed reserves and to improve

the quality of livestock. Under the federal govern-

pastures have been established by reseeding inferior

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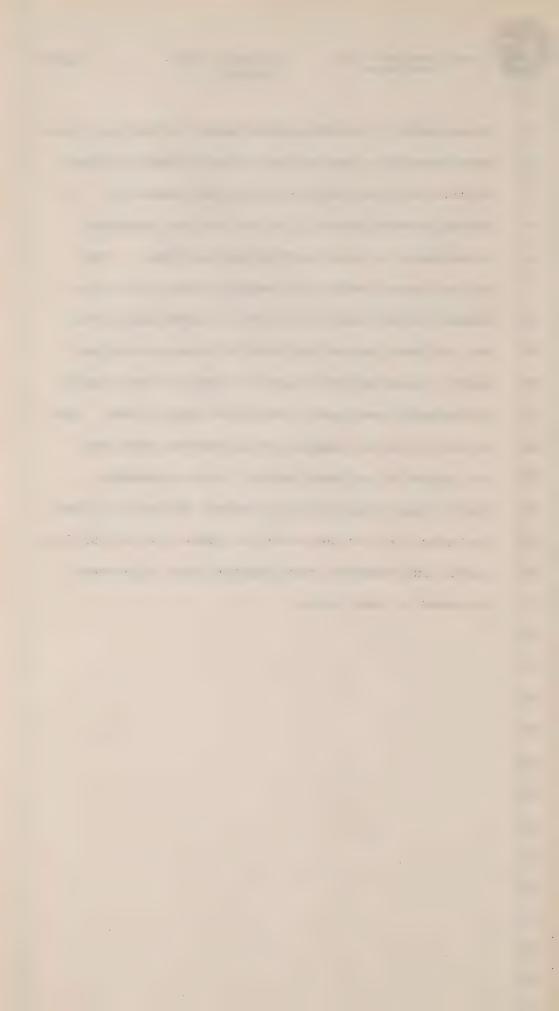
80. The geographical disadvantages of

of the agricultural economy is desirable.



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Saskatchewan's ranching areas would, in the past, have been materially reduced had trade in livestock been allowed to flow freely along natural channels. Transportation disabilities are not the necessary consequence of a mid-continental position. The natural export market for western livestock is the United States, and if barriers to north-south trade had not been imposed and traffic directed east and west, a much greater volume of Canadian cattle would undoubtedly have moved freely into this market. extent to which Canadian cattle exports have been influenced by national policy, trade agreements tariffs and embargoes is reflected, at least in part, in Table XIII and the record of United States tariffs, quotas and embargoes and Canadian trade agreements appended to that Table.



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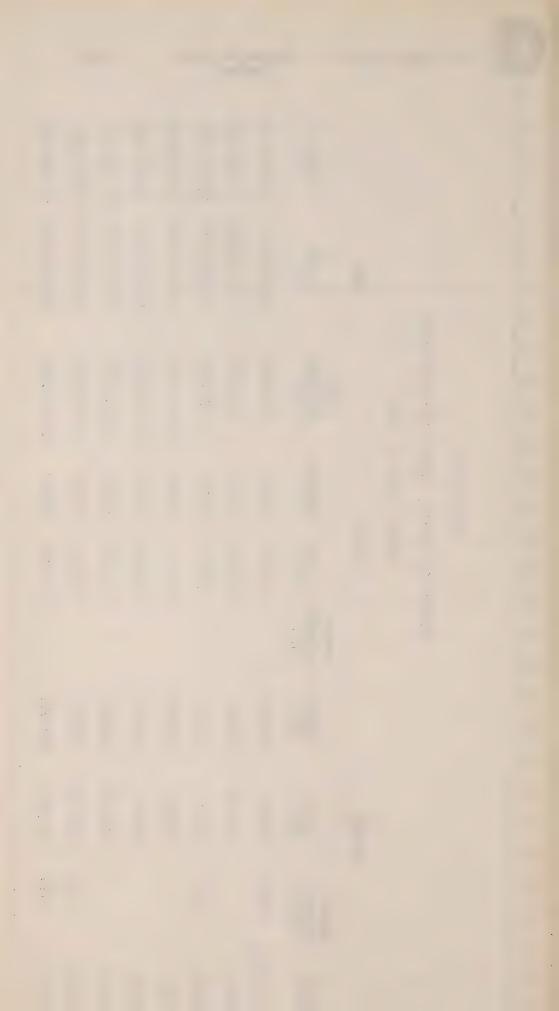
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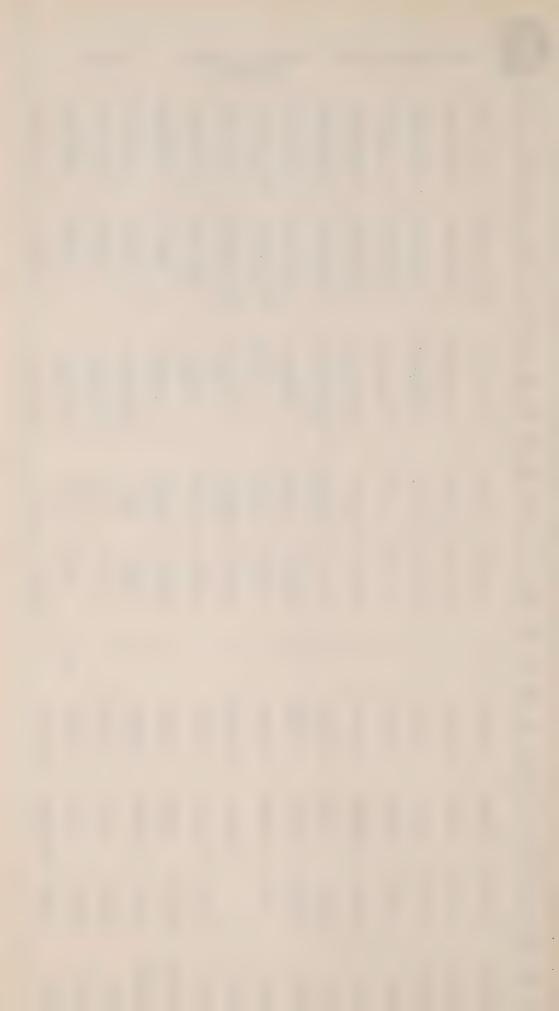
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81. Prices for cattle on the Canadian market have tended to be stronger during periods of high exports to the United States. Conversely, restrictions on exports in periods of rising prices have been reflected in wide spreads between Canadian and United States market prices. The manner in which agriculture is used from time to time as an instrument of national policy is illustrated by the six-year period from September 1942 to August 16, 1948, during which period there was an embargo on the export of commercial beef cattle and calves from Canada to the United States. Exports of purebred cattle and cattle for dairy purposes were, however unrestricted and fairly large numbers moved across the border. It is significant to note, however, that the Federal Department of Agriculture reported in the Annual Market Review, 1947, (p. 4) that "Ontario, Quebec and the Maritimes provided the majority of dairy cattle Cattle growers of western Canada were for export." thus effectively barred from their natural market for The purpose of imposing this major six years. restrictive measure on the cattle producers of Canada, the impact of which fell largely on the western stockgrowers, was two-fold. First, it preserved meat supplies for Canadians and for shipment to Great Britain and the armed forces. Secondly, it was a vital element in the maintenance of the price control policy in so far as meat price ceilings were concerned, and represented the Canadian stock-growers constibution to the success of this national policy. The impact of

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1 2 3 4						Total *	12,033,735	17,837,045	29,460,025	45,836,492	90,647,227	127,333,202	112,610,237	67,028,200
5 6 7 7 8	<b>6</b> .	-y-	1 .	k- 1	BEEF	U.S.A.	10,886,414	17,172,462	10,200,942	10,744,009	12,059,894	25,648,752	35,926,610	38,768,500
9 10 11 12			CALVES AND BEET FROM	to 1959.		Great Britain 1b.	700,230	226,298	11,428,369	13,641,731	20,975,456	94,862,984	37,780,253	12,158,000
13 14 · ±5		TABLE XIII	CATTLE, CALVE	CANADA, 1913 to	CALVES	Total *	54 22,581	9- 31,974	55,903	5 60,343	47,123	4 36,703	3. 78,848	8 74,519
16 17 18			EXPORTS OF	CA	CAI	Great Britain U.S.A. No. No	22,486	31,939	55,860	. 60,310	67,014	36,594	78,703.	74,428
19 20 21 22						Total * Bi	193,714	147,945	193,352	106,278	150,044	203,481	467,642	240,660
23 24 25					CATTLE	U.S.A.	180,383	145,722	179,016	104,227	148,077	500,666	453,606	236,642
<ul><li>26</li><li>27</li><li>28</li></ul>						Great Britain No.	9,878		1,752				159	320
29 30						Year	1913(1)	1914	1915	1916	1917	1918	1919	1920



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2		43,8	40,9	72,0	96,8	27,7	33,8	41,8	36,7	66,4	8,086,600	3,756,700	4,466,400	7,70	92,2	12,6
3		32,143,200	26,340,900	22,772,000	23,206,800	34,627,700	27,233,800	56,741,800	47,136,700	31,066,400	ත ඉ	3.7	4,4	10,007,700	15,092,200	13,512,600
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5		300	9009	300	200	200	000	400	700	300	900	100	200	200	000	200
6		25,308,300	18,583,600	13,087,300	9,808,200	10,105,200	16,242,000	51,473,400	44,698,700	28,666,300	006,786,4	352,100	380,700	169,700	379,000	5,985,700
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14		57,695	27,955	24,219	35,359	62,814	65,625	79,065	76,152	90,873	35,768	16,069	4,821	976	1,302	21,587
15		57	27	24	35	62	65	79	92	90	35	16	4		r1	21,
16		623	720	470	178	313	333	899	385	133	233	130	55	84	226	19
17		57,	27,	24,	35,	623	65,	78,	75,885	90,433	35,233	15,430	3,855		CU	20,567
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21		174,552	212,772	177,091	183,242	204,378	176,343	216,209	169,276	162,632	27,554	40,217	28,464	59,158	63,673	777
22		174	212	160	183	204	176	216	169	162	27	40,	28	59,	63,	177,211
23			0					10	~							
24		135,257	189,760	96,873	97,847	86,748	92,962	204,336	166,469	160,103	19,483	9,159	9,010	5,686	6,341	102,934
25		135	189	96	97	98	92	204	166	160	19	0	0	rU.	9	102
26		53	22	22	37	80	35	53	405		00	61	80	7	2	¥
27		33,053	18,475	57,672	79,435	110,868	79,985	8,263	7		5,400	27,149	16,568	50,317	53,852	6,704
28		(1)		41	7	13	,					CU	П	rU.	10	
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30		1921(2)	1922(3)	1923(4)	1924	1925	1926	1927	1928	1929	1930	1931(5)	1932(6)	1933	1934	1935
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3	12,	17,	5	44,	S.	7,7	15,4	7	106,143,600	193,534,300	134,671,200	42,6	126,362,900	101,219,200	84,3
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5	1,851,800	3,005,900	1,230,700	793,700	496,500	888,000	900	5,400	200	66,200	10,000	88,300	,600	800	500
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16	50,541	98,426	48,347	83,398	75,658	60,677	54,235	٠ ا	7,7	on H	L G	3	10,834	31,483	25,064
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22	233	222	129	208	151	193	161	99	57	77	103	8	944	389	433
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24	191,149	208,552	98,408	201,065	153,856	189,896	158,175	56,666x	52,123x	68,719x	95,154x	74,106x	439,647	386,165	431,654
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2		93,447,300	66,958,900	26,158,400	19,881,400	9,818,100	13,655,000	48,326,100	54,939,900	23,930,400			
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5		000	200	009	300	1 00	400	200	200	300			
6		91,748,000	1,953,700	16,815,600	9,445,300	7,685,100	12,036,400	46,880,700	53,314,500	22,378,300			
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27				(2)							incl	figu	of
28	12)		13)	1953(14-15)							23	Export	+7
29	1951 (12)		1952(13)	953 (	1954	1955	1956	1957	1958	1959	* Tot	EXP	exp
30	-		-		H	-	-	-	-	H	*	×	



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United States and other Tariffs and Agreements.

- (1) 1913-1920: Livestonk exports to U.S. free of duty.
- (2) 1921: U.S. Emergency: 30 per cent ad valorem
- (3) 1922: Fordney-McCumber Tariff imposed by U.S. (under 1050 lb.,  $1\frac{1}{2}$  cents per lb.; 1050 lb. and over, 2 cents).
- (4) 1923: British embargo on Ganadian livestock removed.
- (5) 1931: Hawley-Smoot Tariff imposed by U,S.

  (under 700 lb.,  $2\frac{1}{2}$  cents per lb.; 700 lb. and over, 3 cents).
- (6) 1932: Ottawa Agreements.
- (7) 1936: U.S. Canada Agreement: Slaughter and Feeder, under 175 lt. (quota 51,933), 1½ cents per 1t.; over quota, 2½ cents; 200-699 lb., 2½ cents; 700 lt. and over (quota 155,799), 2 cents; over quota, 3 cents. Dairy cows, 700 lt. and over, (quota 20,000), 1½ cents per 1b.
  - (8) 1939: U.S. Canada Agreement: Salughter and feeder, under 200 lb. (quota 100,000<sup>a</sup>), 1½ cents per lb.; over quota, 2½ cents; 200-699 lb., 2½ cents; 700 lb. and over (quota 255,000<sup>a</sup>), 1½ cents; over quota, 3 cents. Dairy Cows, 700 lb. and over, 1½ cents per lb.
- (9) 1944: U.S. Mexico Agreement. Salughter and feeder, same as above, except 200-699 lb. (quota 400,000<sup>a</sup>), l½ cents per lb.; over quota, 2½ cents per lb.

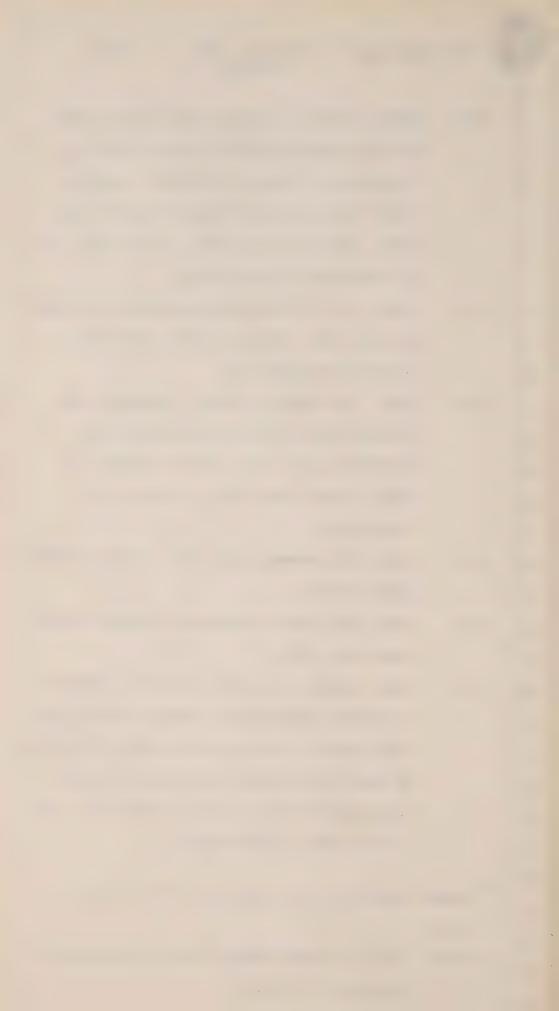




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- (10) 1948: 3.A.T.T.: Salughter and feeder, under 200 lb. (quota 200,000<sup>2</sup>), 1½ cents per lb.; over quota, 2½ cents; 200-699 lb., same as 1944; 700 lb. and over (quota 400,000<sup>2</sup>), 1½ cents; over quota, 2½ cents. Dairy cows, 700 lb. and over, 1½ cents per lb.
- (11) 1950: U.S. Mexico Trade Agreement terminated Dec, 31, 1950. Rate on cattle 200-699 lb. became  $2\frac{1}{2}$  cents per lb.
- (12) 1951: U.S. rates in effect: Salughter and feeder<sup>2</sup>, under 200 lb., l½ cents per lb.; 200-699 lb., 2½ cents; 700 lb. and over, l½ cents. Dairy cows, 700 lb. and over, l½ cents per lb.
- (13) 1952: U.S. Embargo Feb. 25th, due to foot-and-mouth disease.
  - (14) 1953: U.S. ban on imports from Canada lifted
    March 2nd, 1953.
  - (15) 1953 1959: U.S. rates in effect; slaughter and feeder, under 200 lb. (quota 200,000), 1½ cents per lb.; over quota, 2½ cents; 200-699 lb., 2½ cents; 700 lb. and over (quota 400,000), 1½ cents; over quota, 2½ cents. Dairy cows, 700 lb. and over, 1½ cents per lb.
  - 2 Quotas susperied from Lanuary 30, 1943 to April 1, 1953.
  - Source: Annual Livestock Market Review, (Department of Agriculture, Ottawa).



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returns than he would otherwise have received is sharply emphasized by the comparison of prices ruling on the Winnipeg, Toronto and Chicago markets (Table XIV).

government policy on the producer in terms of lower

## TABLE XIV

AVERAGE PRICES OF GOOD STEERS AT TORONTO AND WINNIPEG AND SLAUGHTER CATTLE OF COMPARABLE QUALITY AT CHICAGO, 1941 to 1950.

Year	Toronto	Winnipeg dollars per	Chicago * live hundred weight
1941	\$ 8.70	\$ 8.16	\$ 11.07
1942	10.29	9.53	13.50
1943	11.76	11.10	15.48
1944	11.39	11.15	15.33
1945	11.65	11.40	15.60
1946	12.45	12.00	18.27
1947	14.28	13.55	21.76
1948	18.25	18.39	26.31
1949	20.45	20.06	23.84
1950	24.74	24.55	28.35

\* Adjusted to Canadian equivalent at official rates of exchange.

Source: Commodities Unit Economics Division, (Department of Agriculture, Ottawa) June 7, 1960.

The average spread between Winnipeg and 82. Chicago in 1941 before the ban on Canadian beef cattle exports to the United States, was \$2.91 per cwt. in Canadian funds. For 1942, although the export ban



did not go into effect until September, the average



ANGUS, STONEHOUSE & CO. LTD.

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spread for the year increased to \$3.97, and for the next three years averaged \$4.25 per cwt. For 1946 the spread between Winnipeg and Chicago prices widened to \$6.27 and for 1947, to \$8.21. The cattle embargo was removed effective August 16, 1948 and access to United States markets resulted in strengthening of Canadian cattle prices. The spread between Winnipeg and Chicago monthly average prices which had widened to average \$10.39 in the first seven months of 1948 declined to average \$3.78 in 1949. (In calculating all spreads between Winnipeg and Chicago prices, the values of U.S. dollars have been adjusted to the Canadian equivalent at the prevailing rate of exchange.) 83. As a result of the ban on beef cattle exports to the United States, Canadian beef moved to Great Britain in substantial quantities during the war. Since the war, however, this market has declined. Canadian beef normally meets heavy competition on the British market and in the post-war period the dollar shortage has, of course, accentuated the difficulties faced by Great Britain in continuing purchases from Canada.

The export of live hogs has shown extremely

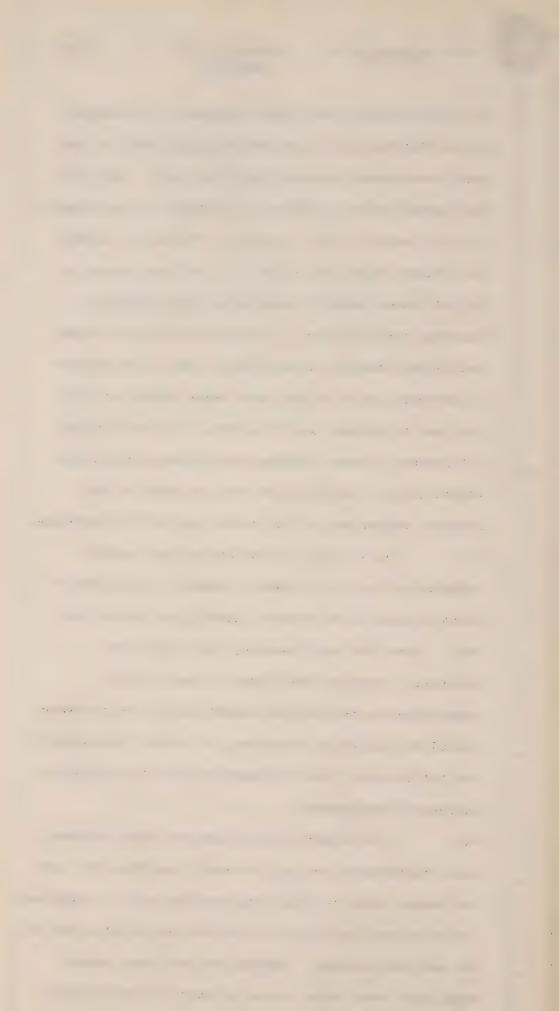
wide fluctuations, as will be seen from Table XV, but

the export trade in bacon and hams has been an important

one both from the standpoint of the hog producer and of

the national economy. During the war years Canada

supplied a very large volume of bacon to the British



ANGUS, STONEHOUSE & CO. LTD.

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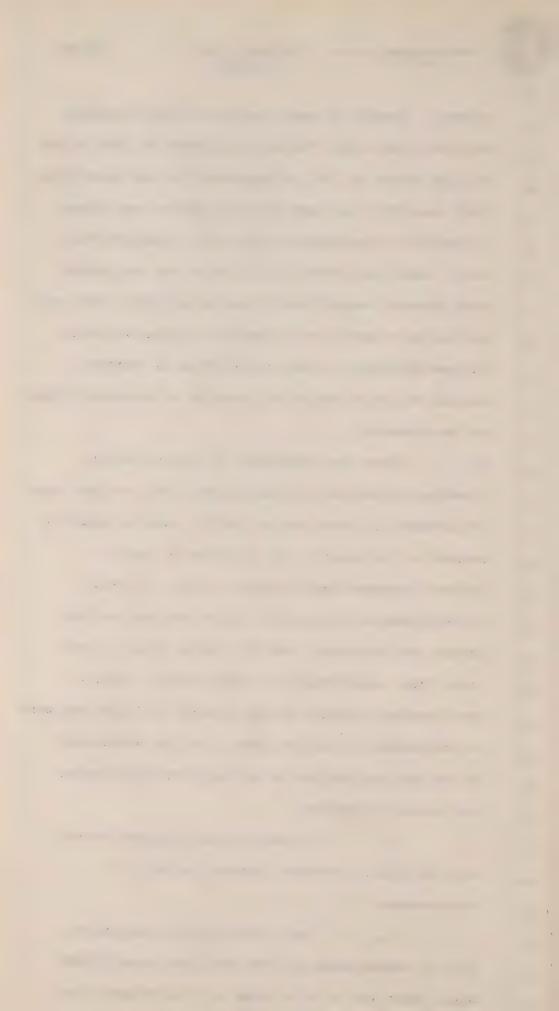
A. Yes, the livestock loadings by rail in Saskatchewan in 1959 were just under 87,000 tons. That was out of a total of 268,000 tons for

market. Exports of bacon and ham to Great Britain declined from nearly 700 million pounds in 1944 to 200 million pounds in 1948, disappeared for the years 1952, 1953, and 1954, and have been negligible ever since.

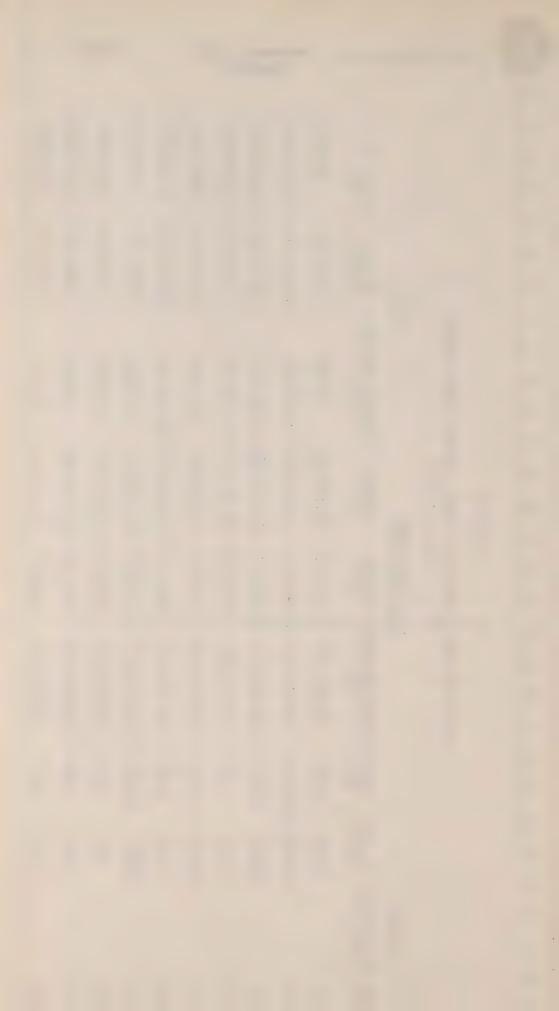
In periods of marketing difficulties transportation costs, which as a result of distance are much higher than those of competitors closer to seaboard, bear with particular severity on the prairie economy and make it more difficult to meet competition in overseas markets at prices which will provide a reasonable return to the producer.

85. From the standpoint of transportation, livestock production in Saskatchewan involves four types of movement (1) from farm or ranch to eastern Canadian markets or for export, (2) from farm or ranch to western stockyards and packing houses, (3) from western packers to consumers in western and eastern Canada and for export, and (4) feeder stock to feed lots. The significance of transportation costs to the livestock economy is thus clearly indicated and must be considered, it is submitted, from the standpoint of the long run welfare of an important industry in the economy of Canada.

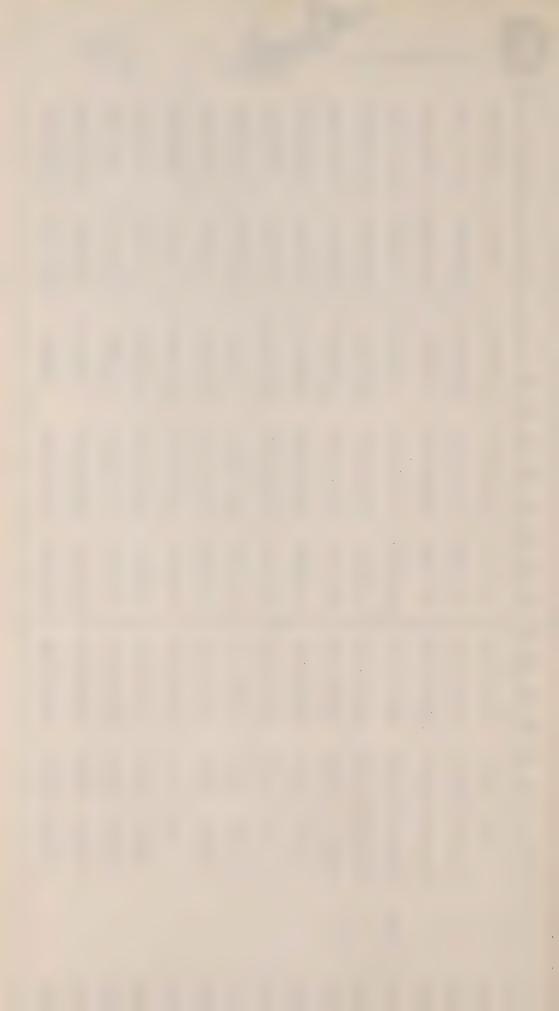
Q. Do you have any information to show the total livestock loadings by rail in Saskatchewan?



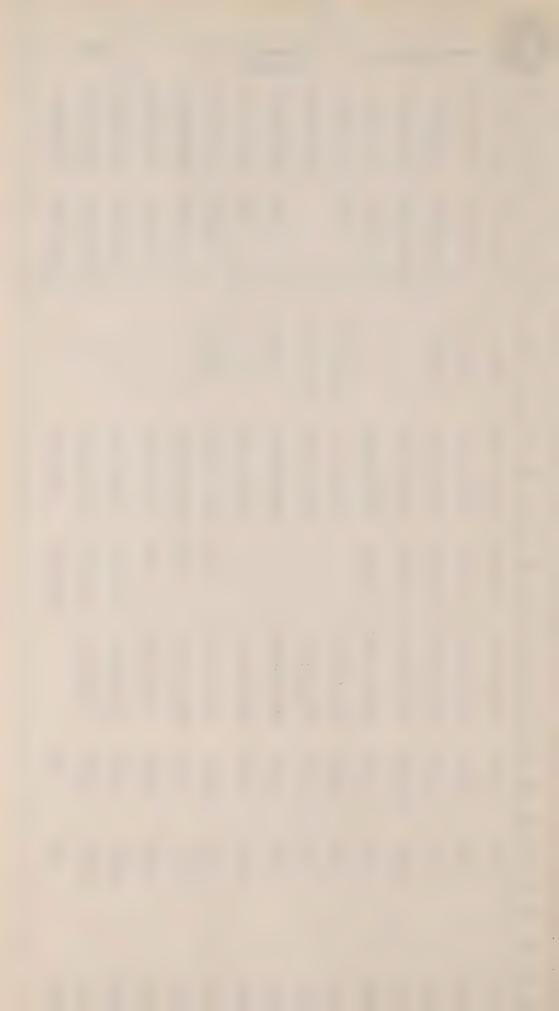
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4					Total	00	17,045,270	15,197,566	12,904,236	12,070,115	35,882,760	6,7	4,1	2,9	1,6
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11			PORT FROM CANADA		Great Britain		1,988,344	10,850,596	11,667,684	9,179,747	33,300,	1,385,590	596	191	395
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13			and 959.		*	4,26	6,03	2,88	3,27	4,34	2,55	9,57	3,30	3,00	1,10
14		E XV	HAMS, and to 1959.		Total*	27,514,266	61,496,033	140,242,888	198,483,276	219,464,343	121,642,555	245,289,578	105,243,300	103,123,000	001,141,96
15		TABLE	and H	HAMS						21	2				
16			MC NC	AND		,515	474,	,233	183,260	650,407	,297	707	664,800	219,300	009
17		}	BAC		U.S.A.	66	828	2,264	183	650	1,322,297	a, 942,	199	219	154,600
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20			RT 0		at Br	,351	,490	, 421	,811	,568	,577	,729	,185	,726	,384
21			EXPO.		Gre	27	48	137	197	216	119	240	104	101	88
2.2			prof.		Total*	76	39	53	27	76	34	27	66	45	38
23					TON	3,694	214,989	62,763	1,527	14,894	8,184	29,542	1,399	3,154	2,338
24					A.	0.1					10		~	6	
25					W.S.A.	3,162	214,709	62,285	1,191	14,192	7,596	28,887	528	2,479	1,658
26						()	214	62	H	14		28		N	П
27				HOGS	Gr.Britain No.										
28				黑	ir.B.										
29						.3	171	12	. 91	17	18	10	0	12	22
30					Vear	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922



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2 3	3,342,100	14,754,300	17,286,400	16,798, 00	24,569,900	11,014,800	10,184,700	5,679,800	4,763,200	10,240,800	6,005,400	3,330,000	7,097,300	16,443,200	23,524,600
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7 8 9 10	2,072,000	6,270,300 5	7,909,600	6,536,300	6,823,900 - 15	1,879,100	4,040,600	1,585,400	859,800	4,195,700 2	2,116,400	1,277,200	512,800 8	720,300	942,600 17
11 12 13 14	100,304,800	113,395,700	132,522,900	93,185,000	58,011,800	41,339,300	28,772,700	14,795,600	12,775,200	35,820,400	73,297,200	120,410,200	125,337,500	158,049,600	195,616,900
15 16 17	282,400	715,500	1,277,600	1,596,800	4,162,500	3,489,200	2,333,800	1,347,100	1,173,900	1,495,600	868,500	394,100	392,000	2,133,200	2,337,000
18 19 20 21	99,230,100	111,968,800	130,503,700	90,843,600	53,059,100	37,078,600	25,822,900	13,011,400	10,961,700	30,693,400	71,524,700	119,707,600	124,327,900	154,768,800	192,058,700
22	1,554	28,197	89,323	85,972	197,106	23,263	3,942	2,324	3,911	5,598	6,031	4,602	19,424	76,488	82,863
<ul><li>24</li><li>25</li><li>26</li></ul>	329	26,395	87,594	82,956	301,761 753,461	20,661	2,018	137	1,402	1,660	66	1,009	14,999	69,527	75,802
27				1,412		7									
29 30	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937



v.c.															
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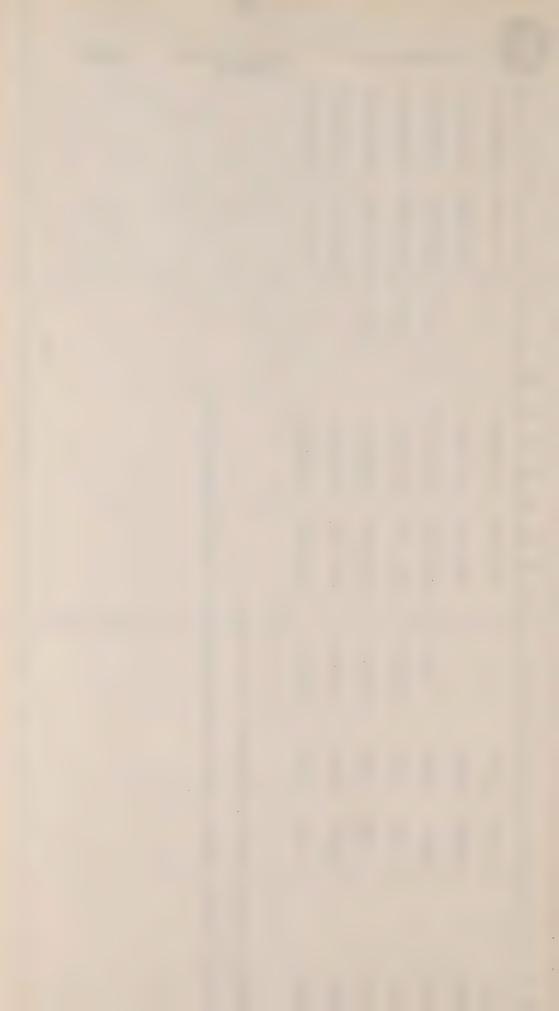
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and west?

the entire dominion, which means that more than onethird of the total loadings on railways of cattle and calves came from Saskatchewan. I might say that over a twelve year period the figures become a little hazy before that for comparative purposes. It is rather interesting to note that in 1947 Saskatchewan contributed less than one-quarter of the total, but by 1959 we were contributing more than one-third.

THE CHAIRMAN: Where did the truck come in? THE WITNESS: Well, the truck came in all over but, of course, the short haul in particular was where the truck came in -- either the farm truck or the for-hire trucker. It was servicing to a very considerable extent; they could go straight to the farm.

THE CHAIRMAN: Is it increasing?

THE WITNESS: It is very difficult to say in the west because the figures have stayed up remarkably well.

THE CHAIRMAN: The rail figures?

THE WITNESS: Yes, with the exception of a slight drop in 1959 when there was an actual decrease in the commercial market.

COMMISSIONER BALCH: Would these figures be more south, or across Canada?

THE CHAIRMAN: East-west?

COMMISSIONER BALCH: Or more south than east

THE WITNESS: Well, it is very difficult to

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tell. A great many of these would be since 1948.

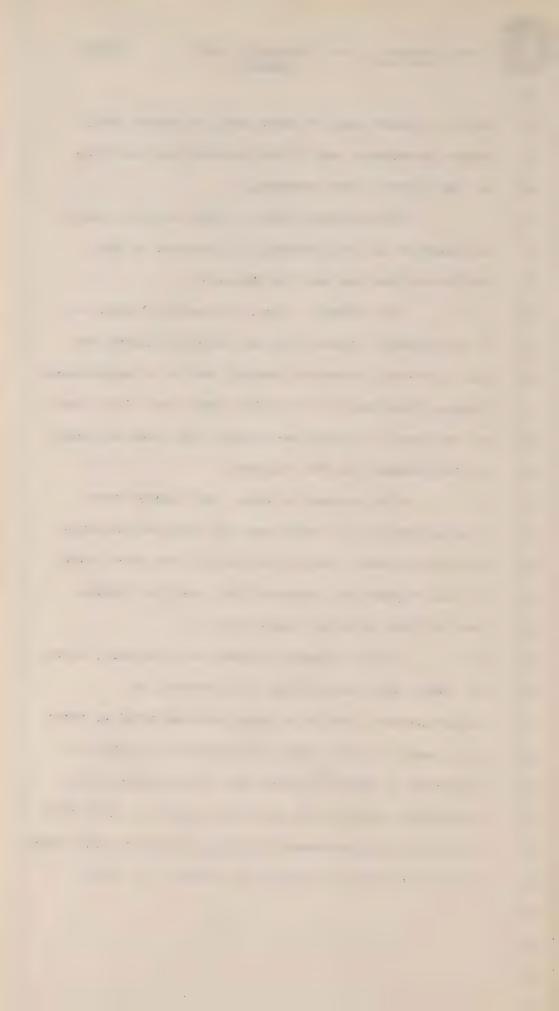
Since the embargo was lifted a great many would be to the United States markets.

a reduction in the movement of livestock on the railroads from the west to the east?

THE WITNESS: Yes. We have got back to a considerable extent into the American market for our livestock in western Canada, and it is significant, though, that whereas we produce less than 20 per cent of the total livestock we produce more than one-third of the tonnage for the railways.

with respect to hogs, the figures have stayed remarkably steady over the last twelve years. The Saskatchewan loadings are almost the same today as twelve years ago, whereas the total for Canada has declined by almost one-third.

in Table XVI, rather more than one-half of
Saskatchewan's cattle and hogs were marketed at yards
and plants located within the province in 1959 but
shipments to Manitoba yards and plants constitute a
significant part of the marketing pattern. More than
one-half of Saskatchewan's calves, sheep and lambs were
shipped to markets outside the province in 1959.



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#### TABLE XVI

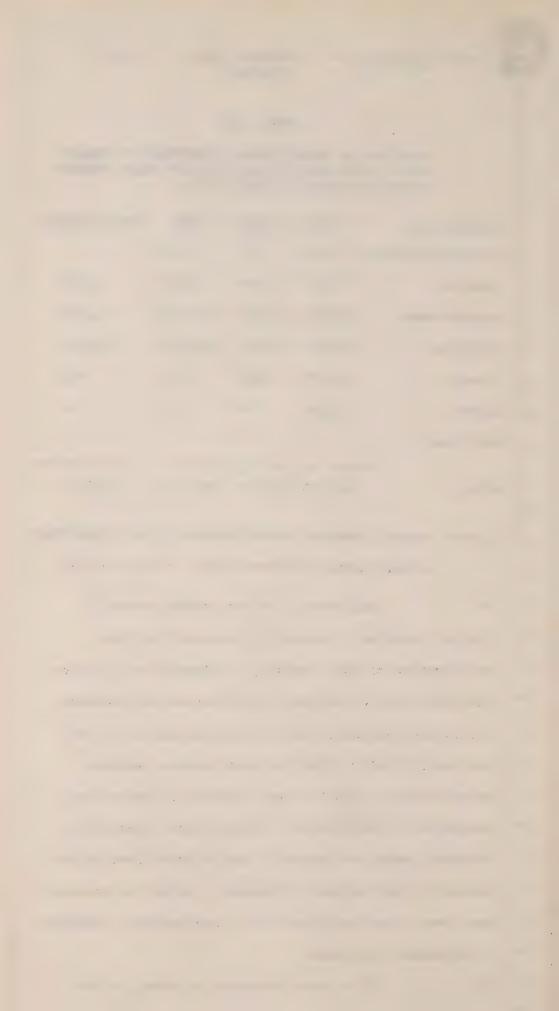
RECEIPTS OF SASKATCHEWAN LIVESTOCK AT PUBLIC STOCK YARDS AND SHIPMENTS DIRECT FROM COUNTRY POINTS TO PACKING PLANTS 1959.

Arrivals In.	Cattle	Calves	Hogs	Sheep & Lambs
British Columbia	1,207	-	1,498	_
Alberta	8,125	3,002	7,186	1,571
Saskatchewan	242,893	60,928	537,610	17,108
Manitoba	169,425	55,327	360,328	19,453
Ontario	14,903	7,806	1,721	931
Quebec	5,201	24	-	
Maritimes	ens	-	gent	•
TOTAL	441,754	127.087	908.343	39,063

Source: Annual Livestock Market Review, 1959, (Department of Agriculture, Ottawa, 1960), pp. 15, 34, 42.

87. Maintenance of the lowest possible freight rates on livestock is necessary for the preservation of this industry, influenced as it is by considerations of national and international economic policy and separated, in part geographically and in part artificially, from its great natural markets. Major marketing problems are continually presenting themselves in all fields of agricultural production. Although productive capacity may be stabilized in some measure by agricultural techniques, marketing problems have been - and continue to be - particularly resistant to permanent solutions.

It is only necessary to refer to the



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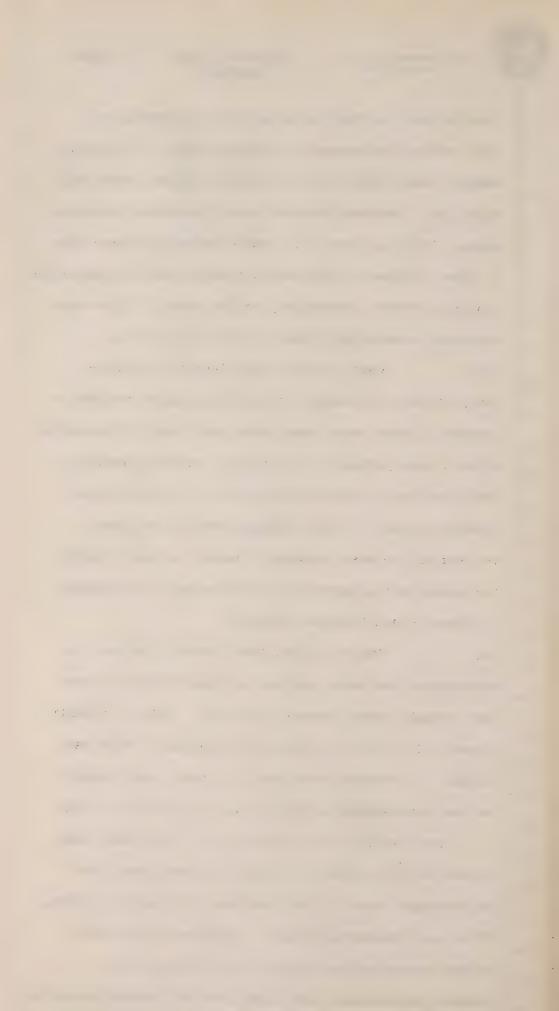
fluctuations in trade policies to be impressed by
this lack of permanence (see Table XIII). The facts
suggest that there has never been a steady market upon
which the livestock producer could formulate long-term
plans. The high levels of cattle marketings from time
to time, instead of indicating economic well-being in the
industry, reveal uncertainty in the minds of livestock
producers concerning future markets and prices.

89. What has been said indicates some of the problems with which the cattle producer has had to contend. Chief among these have been widely fluctuating prices, long periods of low prices, rapdily changing market outlets, shifts in national and international economic policy -- with varying restrictions upon selling in the most favourable market -- and, finally, the persistent geographical disadvantages with respect to domestic and European markets.

agriculture has been possible in Saskatchewan it has been brought about through livestock. This is clearly revealed in Table VI showing the sources of farm cash income. Livestock ranks next to grain, and I might say has contributed between 11 and 24 per cent of the

total agricultural production -- the total cash income of the province over the last ten years, and has averaged about 17 per cent over the last ten years.

Efforts of ranchers, farmers, organized agriculture, private organizations, as well as provincial and federal governments, have been directed towards improving



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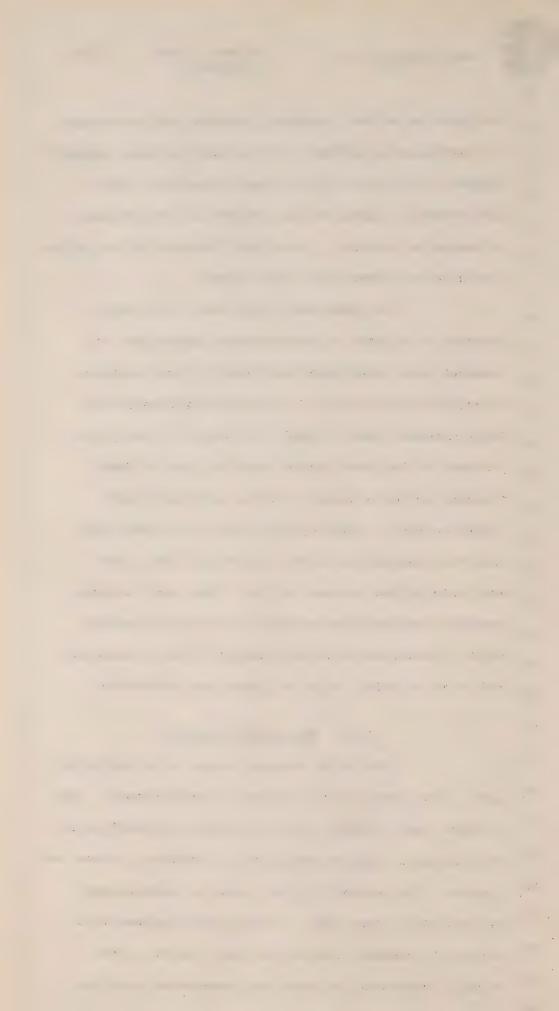
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the position of the livestock industry and encouraging its development, not only for the sake of those directly engaged in it, but also to broaden the base of the agricultural economy in the interest of the province of Canada as a whole. A national transportation policy should be consistent with these aims.

Mr. Chairman, I now come in the dairy industry to a phase of Saskatchewan agriculture of somewhat less importance than those already covered. Calculations from Table VI on page 20 indicate that dairy products have yielded from three to nearly six per cent of the cash income from the sale of farm products in the province over the last ten years. I have no wish to take up the time of the Commission with the examination of the minute data which are available in the various tables. There are, however, certain transportation aspects of the dairy industry which I assume would be of interest to the Commission. and it is to this I wish to direct your attention.

#### (iii) The Dairy Industry

The dairy industry makes up an appreciable 91. part of the agricultural economy of Saskatchewan. This province ranks fourth in milk and butter production in the Dominion, being exceeded only by Ontario, Quebec and The number of milch cows in Saskatchewan Alberta. This figure represents a was 248,000 in June 1959. decline in numbers, but at the same time the level of milk production has been well maintained over the



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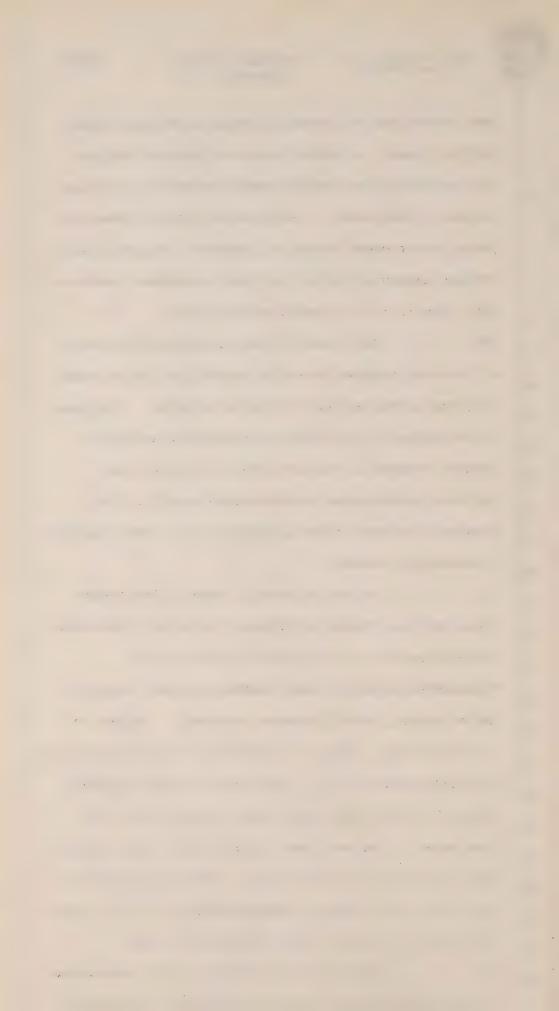
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past decade and has actually risen in the past four or five years. A greater degree of specialization has resulted in an average annual production per cow of some 5,400 pounds, a substantial increase over the years, and present trends in production suggest that, through improved feeding and farm management practices, this rate will be exceeded in the future.

92. Milch cows in this province are usually of the dual purpose type with specialized dairy herds on farms producing for fluid milk markets. distribution of the milch cow population with the largest numbers in the park areas of eastern and northern Saskatchewan is determined mainly by the physical features of the province rather than proximity to consuming centres.

In the fluid milk trade of the larger 93. urban centres, Saskatoon obtains its supply from areas surrounding the city and much of the milk is transported by truck, when weather permits, owing to the relatively short distance involved. Regina, on the other hand, offers a contrast since much of the area surrounding that city is given over to wheat growing and most of the fluid milk supply comes to the city from areas to the east and northeast where the prairie plain gives way to the park belt. The average haul of fluid milk into Regina is copposimately 40 or 50 miles, but there is now very little movement by rail. About 50 per cent of the milk production

of the province goes into the manufacture of creamery



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butter. The distribution of the milch cow population over wide areas is the major factor determining the form in which the greater part of Saskatchewan's milk production is utilized. Except for supplying the relatively small fluid milk markets of the cities, the long distances involved in scattered farms and small supplies of milk make it uneconomic to collect and ship whole milk. This militates against the development of either cheese or concentrated milk factories, the operation of which requires steady deliveries of whole milk in fairly large volume every day. There is only one cheese factory and this is located in the northern part of the province. It may be mentioned, incidentally, that this restrictive factor necessitates Saskatchewan consumers importing, mainly from eastern Canada, their requirements of cheese, condensed milk and milk powder even though this province produces a large surplus of the raw product. Utilization of surplus milk production in Saskatchewan demands, however, a form of the product which can be economically transported from farm to plant at convenient intervals. The marketing of cream for the manufacture of creamery butter has provided the economic solution. This situation is in sharp contrast to conditions in eastern provinces where more extensive production of milk and readily accessible processing plants make possible the shipping of the whole milk to cheese factories, creameries and concentrated milk factories, or to plants which combine

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two or more of these manufacturing functions.

Table XVII shows the annual production 95. of creamery butter in Canada and Saskatchewan, the number of creameries operating in this province, and the butter make per creamery.

#### TABLE XVII

CREAMERY BUTTER PRODUCTION, CANADA AND SASKATCHEWAN WITH NUMBERS OF CREAMERIES IN SASKATCHEWAN AND AVERAGE PRODUCTION PER CREAMERY, 1921 - 59.

SASKATCHEWAN

11						
12		Creamery Butter	Creamery Butter	Per. of	Creameries in	Production
13	Year	Production 000 lb.		Total	Operation No.	Creamery 000 lb.
14	1921	128,745	7,030	5.5	55	128
15	1926	177,209	16,629	9.4	82	203
16	1931	225,955	18,960	8.4	68	<b>27</b> 9
17	1936	250,932	24,098	9.6	61	<b>39</b> 5
18	1941	285,848	37,127	13.0	61	609
19	1946	271,491	37,025	13.6	63	588
20	1951	257,165	27,903	10.9	59	473
21	1952	280,746	27,811	9.9	58	479
22	1953	302,783	27,782	9.2	56	496
23	1954	313,230	26,760	8.5	57	469
24	1955	318,577	26,836	8.4	55	488
25	1956	303,314	25,099	8.3	55	456
26	1957	303,371	26,482	8.7	54	490
27	1958	335,990	29,509	8.8	54	546
28	1959	325,300	28,671	8.8	53	541
	Sour	ces. Data o	n production	n from	Dominion Bureau	of

29 | Sources: Data on production

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Statistics, Ottawa, On creameries in Saskatchewan



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from Dairy Division, Department of Agriculture, Regina.

96. Although Ontario and Quebec contribute

well over 50 per cent of the total dominion production

of creamery butter, they remain, like British Columbia,

deficiency areas and their production contributes

comparatively little to rail movement. On the other

hand high levels of production and relatively small

populations have placed Saskatchewan and the other

prairie provinces in the position of surplus producers

accounting for a very large proportion of all butter

shipped by rail in Canada.

97. In recent years it has been possible to obtain agreed charges at favourable rates on large shipments of butter exported from the province. Nevertheless producers in areas lying closer to eastern markets occupy a more favourable position than Saskatchewan producers. Alberta surplus butter tends to supply the deficiency area at the west coast and Saskatchewan surplus butter generally has the longer trip to eastern Canadian markets. Not only is there a return to the railways for butter movement; in addition there are transportation charges on the incoming raw material, namely milk and cream, and transportation charges on materials used during processing and packaging (wooden boxes, salt, washing compounds, neutralizers, box liners, butter wrappers, cardboard containers, etc.) and all heavy dairy equipment.

The dairy industry is an important branch

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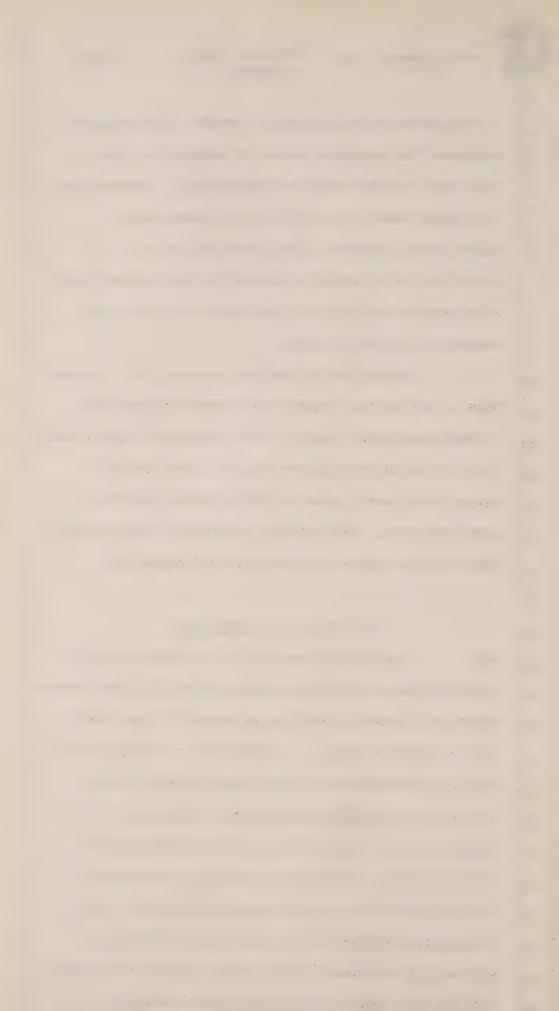
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of the agricultural economy of Canada. Its products represent the greatest source of protective foods necessary for the health of the nation. Consumption is largely domestic, in contrast to many other agricultural products. The distribution of production in relation to population has brought about an extensive traffic in dairy products in which the railways continue to share.

Coming to the poultry industry, Mr. Chairman. this is one of the comparatively minor (although by no means negligible parts of the province's agriculture) it contributed from 2 per cent to 5 per cent of agricultural cash income in the province over the past ten years. The industry encounters transportation costs at all stages of production and marketing.

## (iv) The Poultry Industry.

The poultry population of Canada in 1959 99. included almost 82 million birds, of which Saskatchewan's share was almost 9.5 million or about 11.5 per cent of the dominion total. A great deal of work has been done in Saskatchewan to raise the industry from an unimportant sideline to its present status as a significant contributor to the agricultural economy of the province. Quality is carefully supervised, dealers in poultry products are licensed under the Saskatchewan Livestock and Livestock Products Act, and various programs of testing and control are carried out by the federal and provincial departments of



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agriculture.

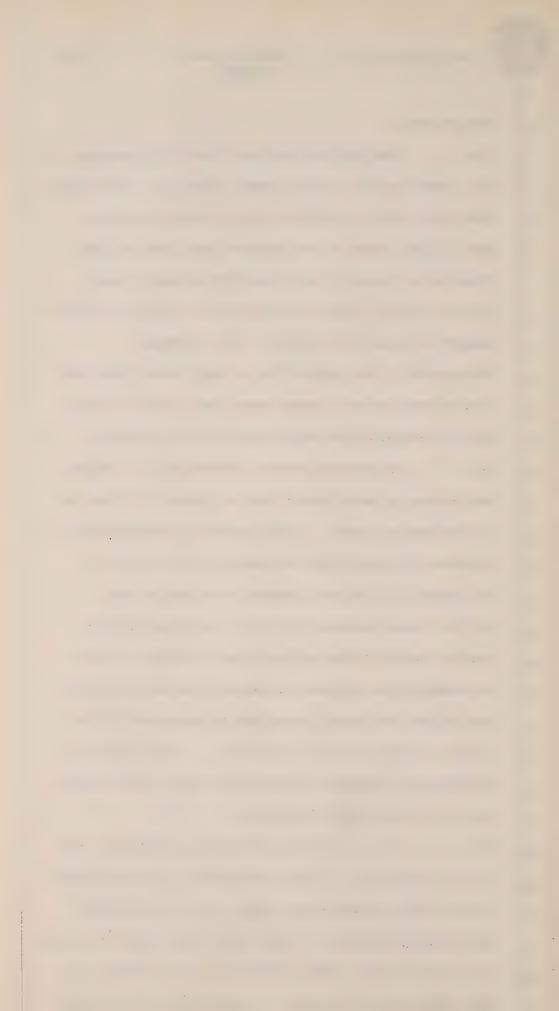
Eggs and poultry meat are still produced in this province for the most part from small farm flocks. The 1956 census indicated that more than 67,000 of the 103,000 farms in the province had some poultry. There were, however, only some 700 hatchery supply flocks in 1959, which is probably an indication of the number of commercial flocks in the province. Consequently, the production of eggs takes place over a wide area and on a great many farms most of which are far removed from any large population centre. In eastern Canada, particularly in Ontario 101. and Quebec, a much larger poultry industry exists in a much smaller area. In the central provinces most producers of both eggs and poultry live close to registered killing and grading stations and can deliver their produce directly. As compared with eastern Canada there are no large consuming centres in Saskatchewan and such urban centres as Saskatoon and Regina are largely supplied by producers living within a radius of 25 or 30 miles. This leaves a

in the assembling of eggs and poultry in Saskatchewan.

In the first instance eggs must move to registered egg grading stations of which there were some 85 in the province in 1959, More and more of the movement to such stations is by road. In the initial collection

large area of production form which eggs and poultry

must be shipped long distances.



process for poultry there are 40 stations for killing, eviscerating, or grading poultry, involving a longer movement than for eggs.

from this province to eastern domestic and to export markets ten years ago was almost exclusively by rail.

Now the movement is split between truck and rail.

Saskatchewan products require long hauls to market by whatever mode of transport may be used, and transportation charges constitute an important part of production and marketing costs.

sold in competition with those of Manitoba and Alberta.

Saskatchewan is at a geographic disadvantage over

Manitoba in eastern Canadian and export markets and

over Alberta on the Pacific coast. Since British

Columbia is a deficiency area Alberta surplus moves

more readily into that area than does the surplus

from this province.

poultry through registered grading stations and inspected interprovincial shipments from Saskatchewan, 1951-59.



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#### TABLE XVIII

# MARKETINGS OF POULTRY THROUGH REGISTERED STATIONS AND INSPECTED INTERPROVINCIAL SHIPMENTS OF DRESSED AND EVISCERATED POULTRY FROM

SASKATCHEWAN, 1951 to 1959.

(in thousands of pounds)

8		Markerings				interprovincial Snipments			
9	Year	Chicken	Turkeys	Totals*	Chicken	Turkeys	Totals*		
10	1951	3,245	3,585	9,078	1,215	3,809	6,187		
11	1952	2,443	7,233	12,030	2,015	6,475	9,777		
12	1953	2,160	4,765	9,525	1,060	4,358	6,557		
13	1954	2,024	6,759	10,772	1,263	5,616	7,747		
14	1955	2,070	6,452	10,881	1,367	5,718	8,419		
15	1956	2,603	11,348	16,515	1,275	7,933	10,302		
16	1957	2,434	11,569	16,517	1,545	8,682	11,495		
17	1958	3,312	16,034	21,831	1,266	11,803	14,027		
18	1959	2,933	15,982	20,867	1,612	10,824	13,330		

\* Includes also fowl, ducks and geese.

Source: Annual Poultry Products Market Review, (Department of Agriculture, Ottawa).

The market for poultry meat is largely 106. the metropolitan areas of eastern Canada, although British Columbia also takes a sizeable quantity of our production. The last few years have seen a substantial increase in the production of turkeys and a considerable increase in shipments out of the province. It seems reasonable to assume that such exports will continue to rise, since methods for killing and handling poultry



Frozen eggs

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have been improved, as have farm management practices in poultry production. Consumption of all poultry meat and particularly turkey meat has been increasing in Canada in recent years.

107. Table XIX shows receipts of shell eggs at registered grading stations and production of frozen eggs, and exports of both shell and frozen eggs from the province.

#### TABLE XIX

Shell Eggs

RECEIPTS OF SHELL EGGS AT REGISTERED GRADING
STATIONS AND INSPECTED INTERPROVINCIAL
SHIPMENTS; PRODUCTION OF FROZEN EGGS
AND INSPECTED INTERPROVINCIAL
SHIPMENTS FROM SASKATCHEWAN
1951 to 1959

(cases of		30 dozens)		ds of pounds)
Year	Receipts	Interprov. shipments	Production	Interprov. shipments
1951	286,239	115,847	1,614	1,254
1952	384,228	73,446	2,311	1,621
1953	401,203	152,124	2,671	2,678
1954	325,937	72,280	1,977	1,902
1955	347,276	133,194	1,946	1,709
1956	367,231	123,198	2,589	1,625
1957	414,577	44,310	4,873	949
1958	407,768	114,572	2,515	1,678
1959	367,358	67,714	3,821	1,976

Source: Annual Poultry Products Market Review (Department of Agriculture, Ottawa).



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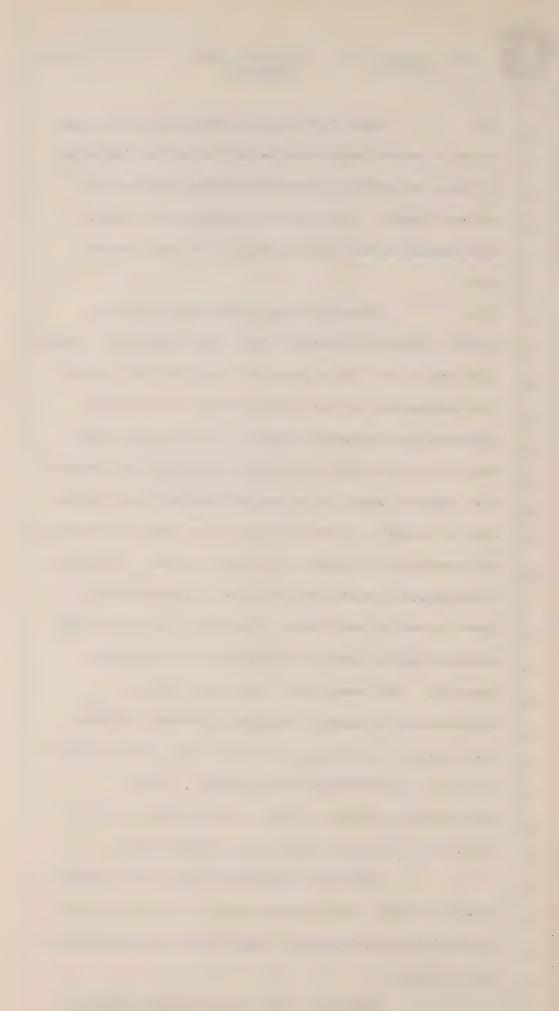
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Since 1949 and the termination of a long series of export agreements with the British Ministry of Food, the principal market for eggs has been in eastern Canada. Some Canadian eggs go for export, with Venezuela the leading importer at the present time.

109. Transportation costs enter into the poultry industry at points other than marketing. These costs enter into the expense of procuring baby chicks from hatcheries and into the provision of hatchery equipment and packaging supplies for their shipment. Having received chicks from the hatcheries the producer must provide himself with specialized equipment in the form of brooders, stoves, feeders, and other items which are manufactured largely in eastern Canada. Finally, although feed grains are produced in Saskatchewan in great volume on most farms, scientific poultry raising requires specialized feeding practices for quality products. This means that feed grain must be supplemented by mineral products, proteins, soybean oil products and other specialized foods, some of which have to be imported into the province. Thus transportation clearly plays a significant role in all phases of the poultry industry in Saskatchewan.

The term "specialty crops," Mr. Chairman, covers a rather miscellaneous group of products which in total account for only a small part of the province's agriculture.

However, I feel these products might be



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of more than passing interest to the Commission because they illustrate rather clearly the willingness of the Saskatchewan farmer to try new products and to diversify his management practices in an attempt to meet changing market conditions and to adapt his output to take advantage of market opportunities.

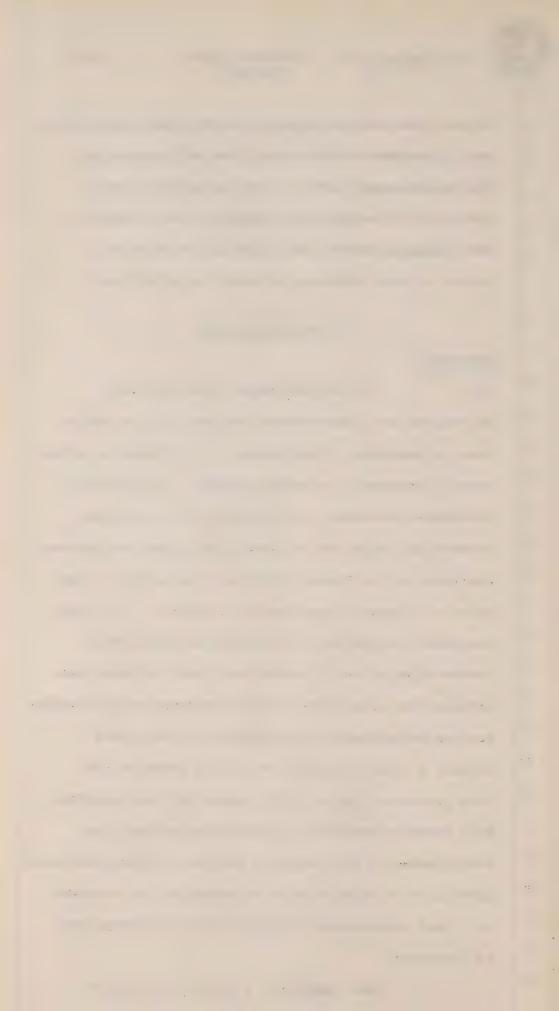
### (v) Specialty Crops.

#### Rapeseed:

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110. In 1943 an entirely new crop was introduced into Saskatchewan and the dominion with a view to providing a lubricating oil of vegetable origin urgent ly required for marine engines. The Dominion Government purchased, for distribution to Canadian farmers, all supplies of Large Black Argentine Rapeseed available in the United States and guaranteed a fixed price of 6 cents a pound on all production. Ву 1945 increasing production in Saskatchewan facilitated construction of an oil extracting plant at Moose Jaw. Although the crop found little acceptance outside northeastern Saskatchewan its popularity in that area brought a steady expansion to 80,000 acres in 1948 with yields as high as 2,200 pounds per acre reported. With Canadian production concentrated entirely in Saskatchewan in the immediate post-war period, additional quantities of rapeseed were processed at the vegetable oil plant subsequently built by the Saskatchewan Pool at Saskatoon.

> I take it you regard THE CHAIRMAN:



rapeseed as a grain.

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THE WITNESS: Yes; although I wouldn't

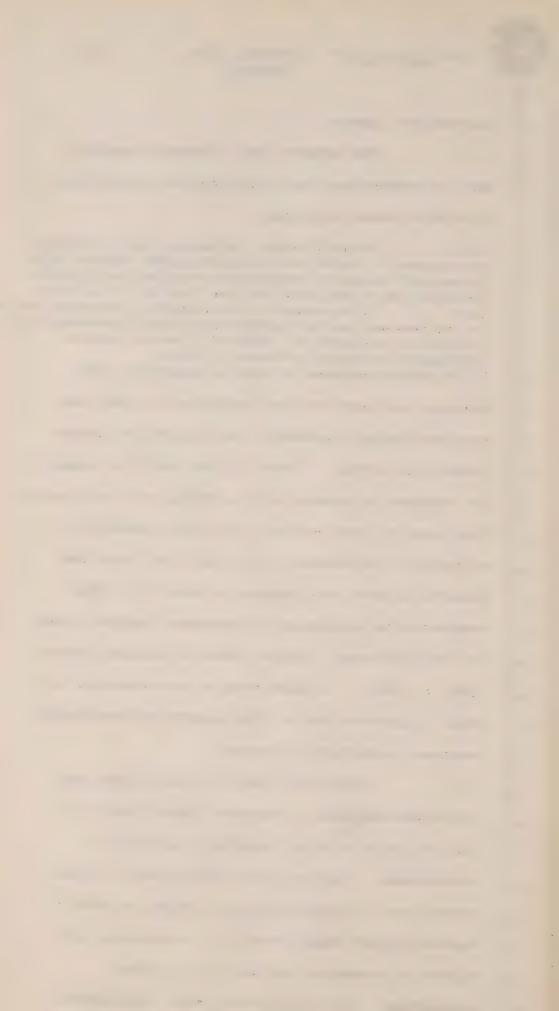
want to venture into the legal niceties of this thing in view of recent decisions.

111. Table XX shows the acreage and production of rapeseed in Canada and in Saskatchewan together with prices and values of Saskatchewan's production from the introduction of the crop into the Province until 1959. The success of the rapeseed production programme 112. in the post-war period alarmed the Federal Government. The quantity of rapeseed oil required in marine engine lubricants was small, attempts to adapt it for edible purposes at home in competition with soybean, sunflower seed and cottonseed oils had not been particularly successful, and exports met severe

for rapeseed or rapeseed oil in Canada, and, as a result, this crop is almost entirely an export commodity..... affected by the broader oilseed position," said the Minister of Trade and Commerce on March 15, 1949, in announcing the withdrawal of government support prices for the 1949 crop. (Canada, House of Commons, Debates, 1949, p. 1472.) A sharp drop in both plantings and price followed so that by 1950 growers had practically abandoned production of rapeseed.

competition abroad. "There is practically no demand

After five years in which acreage and 113. output were negligible, rapeseed climbed rapidly to the position of a fairly important cash crop in Saskatchewan. Factors in this development included restrictions on farm marketings of wheat, a greatly improved export demand for all oil seed crops, and success in processing rapeseed oil for human consumption. In this province, where approximately



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Crop

Year

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TABLE XX

ACREAGE AND PRODUCTION OF RAPESEED, CANADA AND

Production Acreage Production

SASKATCHEWAN, AND PRICES AND VALUE OF

SASKATCHEWAN PRODUCTION, 1943-44

to 1959-60

CANADA

Acreage

SASKATCHEWAN

Av.Farm

Total

Farm VI

9			(000 lb.)		(000 lb.	\$ per lb.	(\$	000)
10	1943-44	3,200	2,220	1,700	1,020	0.06*		
11	1944-45	10,800	6,120	4,800	1,920	0.06*		
12	1945-46	12,500	8,400	8,500	6,800	0.06*		
13	1946-47	23,500	12,970	21,000	11,970	0.06*		
14	1947-48	58,300	21,900	58,300	21,900	0.06*		
15	1948-49	80,000	64,000	80,000	64,000	0.06*		
16	1949-50	20,000	17,000	20,000	17,000	0.05		850
17	1950-51	400	120	400	120	0.038		5
18	1951-52	6,500	6,000	6,500	6,000	0.035		210
19	1952-53	18,500	13,900	12,000	9,600	0.035		336
20	1953-54	29,500	24,550	25,000	21,250	0.035		744
21	1954-55	40,000	28,900	31,000	21,700	0.032		694
2.2	1955-56	136,200	77,910	123,000	68,880	0.035	2,	411
23	1956-57	351,900	299,820	297,000	252,450	0.035	8	836
24	1957-58	617,500	433,058	530,000	364,000	0.032	11	648
25	1 <b>95</b> 8-59	626,000	388,100	535,000	330,000	0.025	8	250
26	1959-60	217,800	180,000	171,000	145,000	0.04	5.	,800
27	1960-61	568,200**		410,000*	* -	desh		-
							- 1	

conditions, moisture content not exceeding limits

FOB shipping point for rapeseed is reasonably clean

determined by the Canadian Wheat Board.



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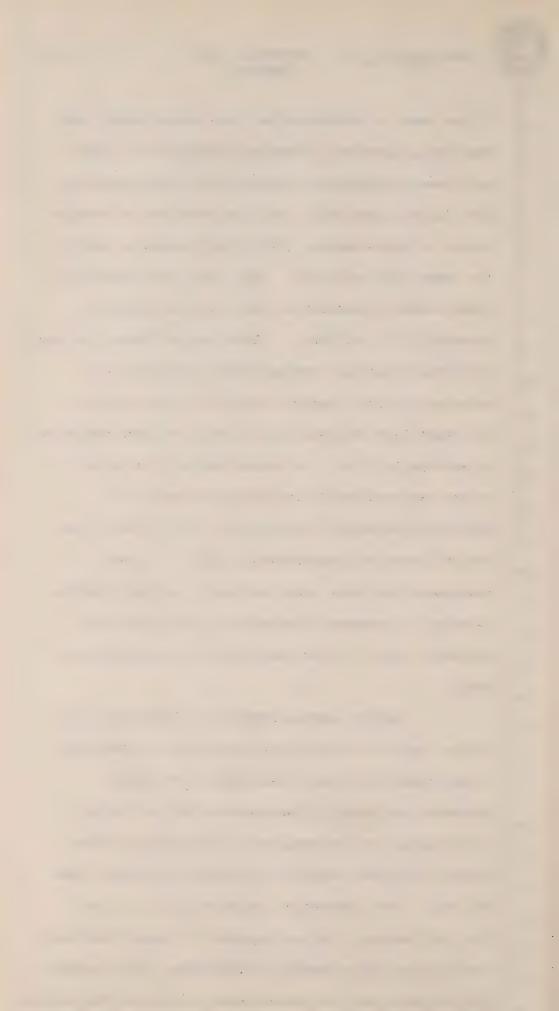
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80 per cent of production has been concentrated (see Table XX), plantings increased rapidly from 31,000 acres and a production of about 22 million pounds in 1954 to well over half a million acres and an average output of approximately 350 million pounds in each of the years 1957 and 1958. The total farm value of Saskatchewan production in the crop year 1957-58 exceeded \$11.6 million. Lower export prices for the 1958 crop resulting from increased production of rapeseed in other countries and a decline in prices of competitive fats and oils, brought a sharp reduction in acreage in 1959. A recent recovery in export prices has resulted in the Dominion Bureau of Statistics reporting "intentions to plant" more than / 400,000 acres in Saskatchewan in 1960. Lower transportation costs would certainly provide a further stimulus to increased production of this important specialty crop -- if we could get it classified as a grain.

Before leaving rapeseed I should like to revise the 1960 figures very drastically in Table XX, in accordance with the latest DBS report which indicates new peaks in Saskatchewan and, of course, consequently for the dominion. The 1900-61 acreage figure for Canada should be 756,000 acres rather than 568,000. The production estimate is 604 million lbs. for Canada. Then moving over to Saskatchewan and striking out the miserable 410,000 acres, that becomes 550,000 acres and the Saskatchewan production 450 million



lbs.

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These figures, incidentally, sir, are from

the August Forecast of Production of Principle Crops dated August 31st, 1960, and released by the Bureau

Forage Crop Seeds:

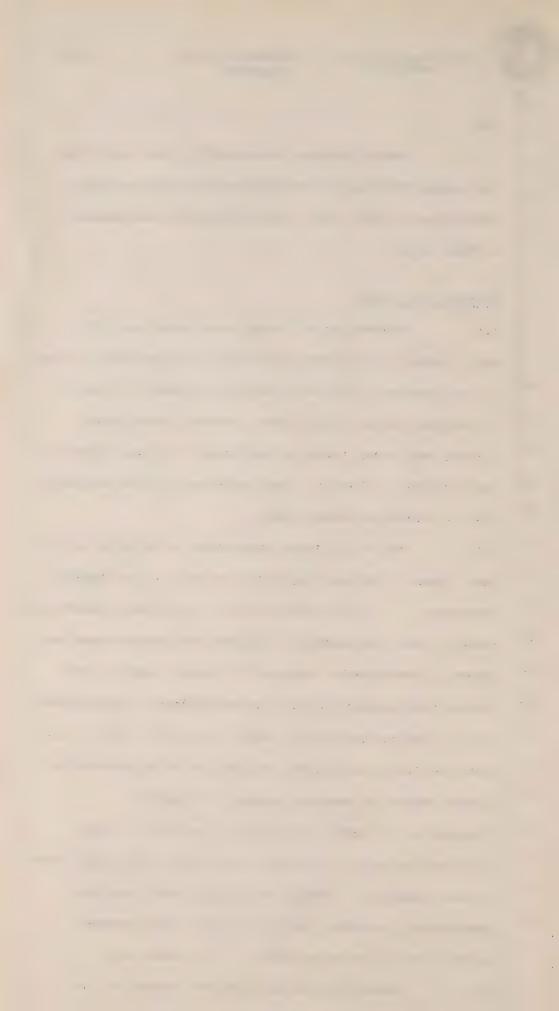
on that date.

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114. Production of forage crop seeds is not a major industry in terms of the total agricultural income of the province, but the growing of alfalfa, clovers of various kinds, brome grass, crested wheat grass. timothy and other forage crops mainly for seed purposes, has achieved a place of some importance in the economic life of northern Saskatchewan.

Table XXI shows production of several of the 115. main types of forage crop seeds in each of the prairie Of the three prairie provinces Alberta has provinces. usually been the heaviest producer but Saskatchewan has shown a considerable increase in recent years in red clover seed production and has maintained a significant role in the production of sweet clover and brome. addition there are recent indications of a potentially strong market in eastern Canada for timothy. Production of forage crop seeds is subject to wide fluctuations with the result that annual marketings tend to vary sharply. Demand for alfalfa seed has been particularly erratic, with the result that current production is far below that of ten years ago. Table XXII shows Canadian exports of the 116.

principal forage crop seeds in recent years. Export



CRIE	1,					A1	)†(	9	20	22	30	23	22	10	
"	ANG	US, 81	ONEHO	USE &	D WHEAT	Sask.	500	100	009	450	400	700	1,200	1,000	15157
1 2					CRESTED	Man.	120	200	425	200	80	45	21	20	and the second second
3					OVER	Sask. Alta.	6,500	2,607	1,700	1,100	7,500	00006	7,000	7,000	
5		N			ALSIKE CLOVER	Sask	09	ı	ı	ı	1	1	ı	1	
6		CHEWA			ALSI	Man	175	150	180	200	150	040	96	105	
. 7	4	SASKATCHEWAN		and the same of th	SR	Alta	6,000	1,18	006	009	1,190	2,600	1,635	4,000	
9		ITOBA,		3)	D CLOVER	Sask.	500	200 1	100	70	250 1	350 2	300 1	290 4	
10	TABLE XXI	IN MANITOBA,	1959	pounds)	RED	Man.	100	80	06	135	85	09	004	335	
12	TABI	FORAGE CROP SEEDS	1948 to	ands of	t	Alta.	4,000	2,200-	6,000	4,500	7,000	6,000	4,775	2,000	7
14		g CROP	ALBERTA, 1948	thousands	ME										
15 16		FORAGI	& ALB	(In	BROME	Sask.	00 2,000	000 3,000	50 5,600	1,500 4,000	250 7,000	200 5,000	115 2,300	120 4,200	
17		CIPAL				Man.	1,800	3 1,000	2,250						
18		PRIN			3R	Alta.	12,960	8,193	12,000	3,200	7,500	5,250	5,825	4,250	
20		TON OF			SWEET CLOVER	Sask.	006	,250	0000	000	,700	0000	3,000	0000	
51		PRODUCTION OF PRINCIPAL			SWEET		10,000 4,900 12,960	8,000 4,250	4,800 4,000 12,000	5,000 3,000	3,000 2,700	3,000 3,000	5,970 3	6,350 4,000	
2.3		PR				Man									
24					FA	Alta.	9,600	3,000	000,6	1,900	006 9	6,700	1,815	1,100	
25 j 26					ALFALFA	Sask.	7,275	2,150	1,500	400	1,420	1,400	120	200	
27						1			363 1,	00		400 1,	00	75	
2.8						Man.	3,200	1,600	3	2,000	2,000	7	1,000	1,375	
29 30						Year	1948	1949	1950	1951	1952	1953	1954	1955	
	1														

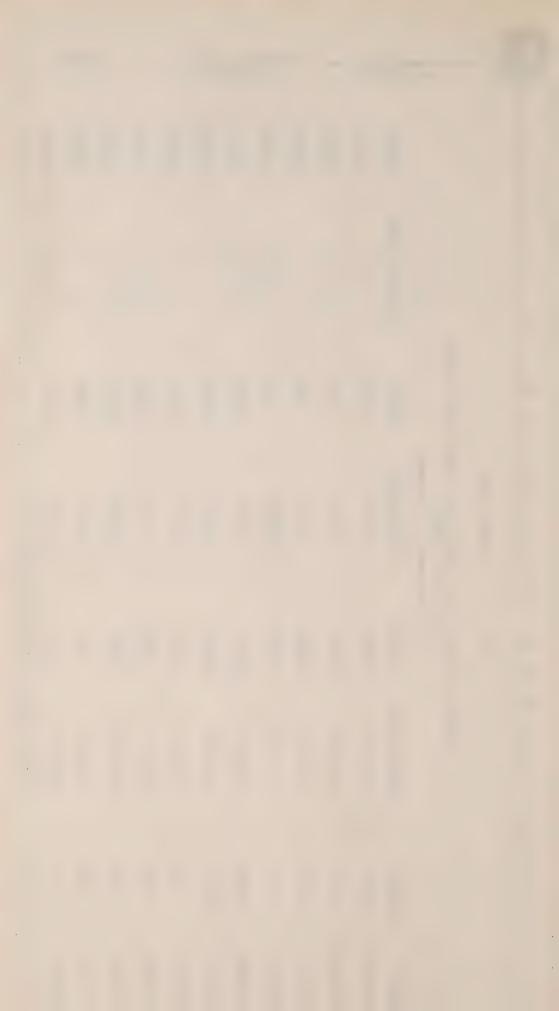


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5		70	75	80	100				
6		100	100	100	39				
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9	continued	850	1,300	1,400	2,250				
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14		1,800	1,000	1,700	1,500				
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16		250	75	9	579				
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19		000	5,000	3,000	500		Ottawa.		
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21		000	6,675	4,600	3,819		Statistics,		
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27		250	1,000	300	924		Dominion Bureau of		
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T R M	A A	NGUS, STONI TORON		E & CO	. LTD.	E	Britnell; dir. (Carter)							15159			
2			Total	71,937	39,536	42,257	30,448	48,218	44,593	29,353	33,921	٦٥, ي ي ي	33,121	27 562	21,706		
5 5	, 1	<u>'</u> *	Crested , heat		8	2.0	3358	405	0	477	151	2,3	m				
9 10 11		DS FROM CANADA	Alsike	8,053	1,916	428	119	5,158	8,542	6,625	6,625	2,020	4,638	7,466			
13 14 15	TABLE XXII	FCAGE CROP SEEDS to 1958-59 Sands of pounds)	Red Clover	9,379	4,733	513,	5,699	2,960	6,358	4,881	5,380	2,638	8,549	008,9	Statistics		
17 18	`. <b>*</b>	EXPORTS OF PRINCIPAL FCAAGE 19948-49 to 1997 (In thousands	Erome	6,831	5,756	10,009	096°9	12,518	9,995	5,535	6,978	3,366	439	2,352	nion Bureau of		
20 21 72 23		EXPORTS	Sweet Clover	27,620	20,634	18,578	13,130	15,623	11,120	11,425	13,121	10,410	18,992	10,453	Scurce: Dominion Bureau		
24 25 26 27			Alfalfa	19,936	6,1177	11,381	11,21,2	8,557	0,547	0.43	999	386	700	ተፒተ	to June C		
28 24			Year*	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55		1950-57	1957-58	15:0-59	* J ly 1 to June		



Most forage crop seed producers in



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possibilities naturally have a bearing on local production in Saskatchewan.

Saskatchewan operate small acreages on northern bush soils for the most part unsuited to the growing of staple crops such as wheat. Such producers consequently depend on these seed crops for the greater part -- and in many cases all -- of their income.

While individual acreages are small, resulting in low per capita income, transportation costs represent by far the largest item involved in the handling and marketing of these specialized crops.

as the chief producers of forage crop seeds but labour under the disability of long hauls to their markets. Seed producers contribute not only towards the economic development of northern areas but with their products make possible effective soil conservation and soil improvement programs on graingrowing land elsewhere in Canada and the United States and even in parts of Europe where forage crop seeds from Saskatchewan are used.

opportunities for the growing of specialized crops in the northern part of the province have contributed to the growth of population in that area. While the movement of specialized crops bears heavy transportation costs perhaps a more significant factor for both rail and road carriers is that this type of production supports a permanent population of greater density



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and thus promotes a larger volume of traffic of both producer and consumer goods.

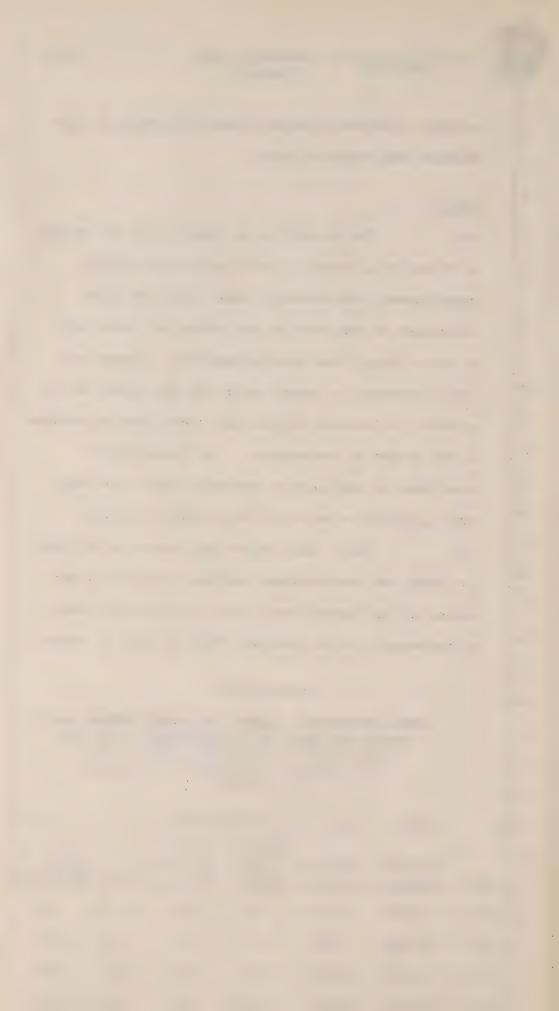
### Honey:

120. The production of honey, like the growing of forage crop seeds, is not a major industry in Saskatchewan, but currently there are some 2,500 beekeepers in the province who obtain at least part of their living from honey production. There has been a tendency in recent years for the number of bee colonies to increase without any corresponding increase in the number of beekeepers. The Saskatchewan Department of Agriculture estimated that there were som 31,200 bee colonies in the province in 1959. Table XXIII shows the production of honey 121. in Canada and Saskatchewan together with prices and values of the Saskatchewan honey crop and the number of beekeepers in the province over the last 30 years.

#### TABLE XXIII

HONEY PRODUCTION, CANADA AND SASKATCHEWAN, and PRICES AND VALUE OF SASKATCHEWAN HONEY CROP AND NUMBER OF BEEKEEPERS, 1926 - 58 (in thousands of pounds and thousands of dollars)

24		CANADA	SASKATCHEWAN									
25	Year	Product-	Product-	Percent of Dom. Total	Price in cents per 1b.	Value	Number of Beekeepers					
27	1926	19,526	170	•9	22	38	870					
28	1931	31,324	610	1.9	12	73	1,470					
29	1936	37,995	2,636	6.9	10	264	3,000					
30	1941	33,221	2,966	8.9	12	348	4,820					



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2	1942	28,049	4,947	17.6	12	620	5,760
3	1943	39,492	5,365	13.6	15	815	7,250
4	1944	36,264	4,376	12.1	16	700	9,920
5	1945	33,020	7,328	22.2	17	1,253	11,390
6	1946	23,975	3,953	16.5	18	712	12,020
7	1947	37,078	6 <b>,2</b> 32	16.8	25	1,558	11,000
8	1948	45,145	6,492	14.4	19	1,233	8,400
9	1949	31,481	6,000	19.1	13	780	5,830
10	1950	28,351	4,881	17.2	13	635	4,470
11	1951	40,909	3,600	8.8	14	504	3,220
12	1952	31,230	2,500	8.0	14	350	2,810
13	1953	26,384	3,247	12.3	14	455	2,270
14	1954	19,850	1,825	9.2	15	274	2,680
15	1955	25,031	3,271	13.1	17	556	2,210
16	1956	24,272	3,348	13.8	17	569	2,650
17	1957	32,051	3,819	12.0	16	611	2,650
18	1958	27,509	4,043	14.7	15	606	2,470
19	1959	31,527	3,838	12.2	*	#	2,500

\* Not available.

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Source: Dominion Bureau of Statistics, Ottawa.

Honey production is subject to wide 122. seasonal variations, being extremely sensitive to weather and crop conditions in the clover and alfalfa districts. For example, in 1954 Saskatchewan production declined by almost 50 per cent from the previous year but in 1955 regained its former level.

Peaks for honey production in the 123. province were reached in 1945 and the early post-war

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years. The relatively favourable showing of those years was in large measure the result of the world shortage of sugar. A period of re-adjustment followed but present trends indicate the possibility of some increase in honey production in the future.

124. Honey prices did not remain at the high wartime levels, but price fluctuations in the post-war period have not been so marked as during certain periods in the past. Nevertheless geography and transportation requirements continue to impost a serious handicap on beekeeping in Saskatchewan since the honey producing areas of the province are remote from sources of supplies and from the larger centres of consumption which constitute the principal markets.

I now turn to the non-agricultural segment of the Saskatchewan economy, forestry, fishing and furs.

I would suggest that these are relatively minor parts of the Saskatchewan economy, hence their treatment is extremely brief.

## The non-Agricultural Economy.

## (i) Forestry

125. Saskatchewan's forests cover nearly threefifths of the land area of the province but the
commercial forest zone, consisting of a belt averaging
approximately 100 miles in width and lying between the
agricultural parkland and the Precambrian Shield,
occupies an area of only about 20,00 square miles. A
half century of fairly heavy cutting has given way to

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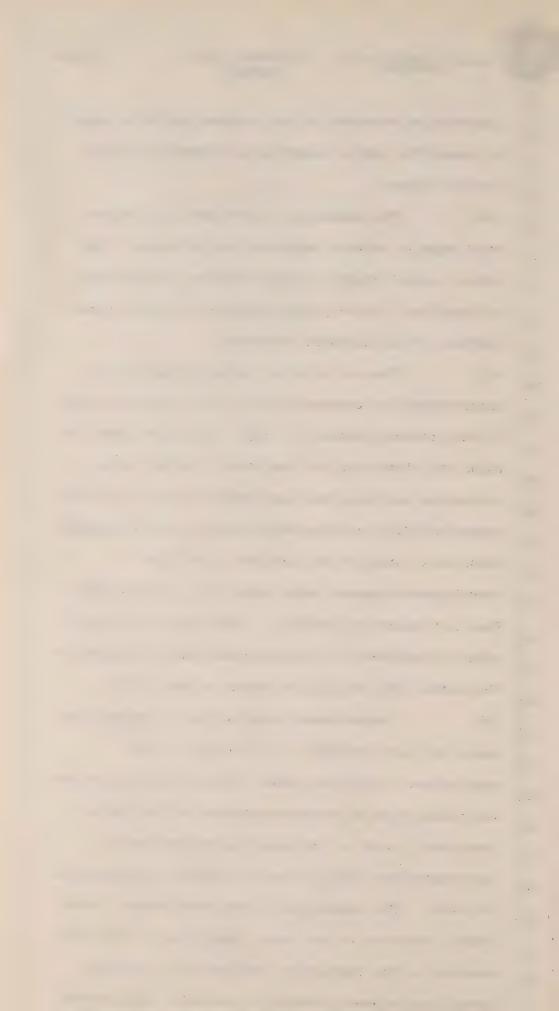
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29 30 conservation measures in the post-war period in order to ensure the best utilization of forest resources for the future.

about equally between hardwoods and softwoods. The latter consist chiefly of white spruce, black spruce and jackpine; white poplar accounts for about three-quarters of the hardwood varieties.

127. The net value of forest production in Saskatchewan has averaged close to \$12 million a year in the post-war period. In 1957, the latest year for which the statistics are available, the net value of production was \$11.7 million compared with a total for Canada of \$2,197 million and primary forest production amounted to about 55 million cubic feet for Saskatchewan compared with about 3,172 million cubic feet for Canada as a whole. The annual volume and value of production for Saskatchewan and for Canada in the period 1945 to 1957 are shown in Table XXIV. Saskatchewan black spruce is regarded as 128. among the most desirable of all woods for the manufacture of pulp and paper. High freight costs and the competition of hardwood pulpwood in the States immediately south of the Great Lakes have greatly accentuated the difficulties of marketing Saskatchewan pulpwood. The submission of the Saskatchewan Timber Board, presented to the Royal Commission at the Regina hearings of the Commission, outlined the problems facing the pulpwood industry of northern Saskatchewan





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### TABLE XXIV

# PRIMARY FOREST PRODUCTION AND NET VALUE OF THE FOREST INDUSTRIES,

CANADA AND SASKATCHEWAN, 1945 to 1957.

6		Vol	ume	7	Value		
7	Year	Canada (thousands	Saskatchewan of cubic feet)	Canada (thousands	Saskatchewan of dollars)		
9	1945	2,692,200	101,599	777,626	9,965		
10	1946	2,821,935	87,627	985,367	9,280		
11	1947	3,104,214	89,665	1,307,261	10,633		
12	1948	3,069,265	82,173	1,426,445	10,623		
13	1949	2,685,917	66,324	1,350,631	8,948		
14	1950	3,023,465	70,486	1,642,127	10,192		
15	1951	3,436,463	73,242	2,087,411	12,935		
16	1952	3,205,383	71,747	1,941,746	13,040		
17	1953	3,078,066	71,680	1,967,202	13,545		
	1954	3,122,313	65,326	2,013,562	14,090		
18	1955	3,280,070	55,225	2,228,233	12,930		
19	1956	3,463,304	58,184	2,396,284	12,977		
20	1957	3,172,166	55,088	2,196,882	11,748		

Sources: Canadian Forestry Statistics, Revised 1959,
Reference Paper (Ottawa, Dominion Bureau of
Statistics, 1960) Tables VIII, XXXI, pp.
22-23, 68-69.





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and particularly underlined the significance of freight costs. "We produce," said the Timber Board's officials, "mainly lumber, pulpwood, power and telephone poles and railway ties of a total annual sales volume of about \$7,000,000, valued f.o.b. our loading points. Our annual freight bill comes to about \$1,500,000."

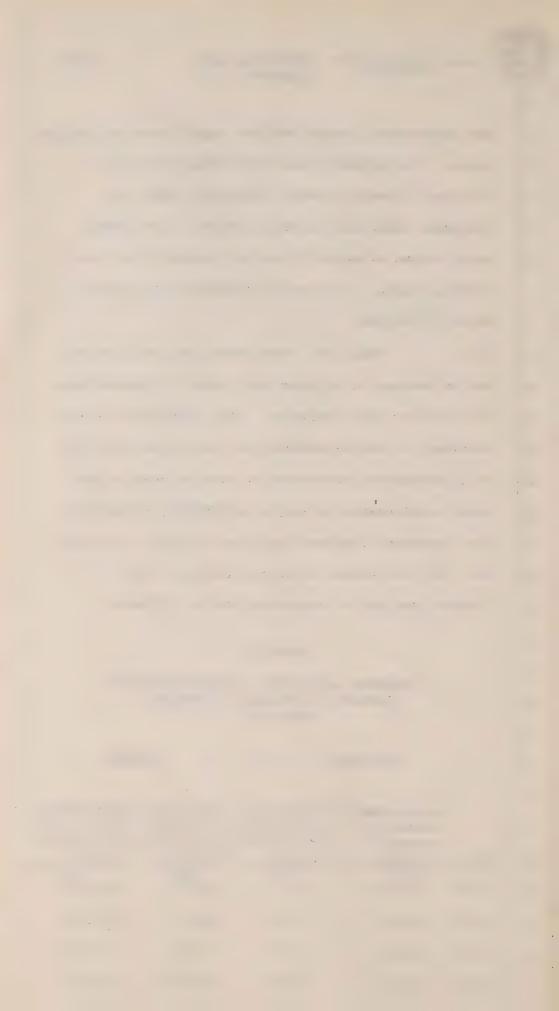
and unloadings of pulpwood and lumber in Saskatchewan from 1946 to 1959 inclusive. The dependence of this province on outside markets for its pulpwood and its very substantial dependence on outside sources for heavy requirements of lumber are sharply emphasized. The pronounced downward trend in loadings of pulpwood over the last decade or so is alarming to the industry and may be disturbing to the railways.

#### TABLE XXV

# PULPWOOD AND LUMBER: REVENUE FREIGHT CARRIED BY RAILWAYS IN CANADA, 1946-59.

PULPWOOD LUMBER<sup>1</sup>

23 Originated or Terminated Terminated Originated or unloaded or loaded or unloaded loaded at 24 at stations at stations at stations stations in in Sask. in Sask. in Sask. Saskatch. Year 25 Tons Tons Tons Tons 215,260 111,783 635 1946 142,026 26 850 232,149 92,733 1947 191,512 27 178,409 790 77,277 1948 204,275 2.8 63,138 189,481 219 1949 95,316 29 63,692 167,576 193 30 1950 89,539



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NGUS,	STONEHOUSE & CO. LTD. TORONTO, ONTARIO	Britnell,	dir.
	TORONTO, ONTARIO	(Carter)	

1					
2	1951	177,396	401	50,472	150,784
3	1952	129,462	405	65,671	207,039
4	1953	63,254	543	51,988	239,997
5	1954	63,924	158	63,749	211,082
6	1955	72,249	227	82,601	184,033
7	1956	66,106	885	63,429	193,312
8	1957	92,414	730	46,727	191,320
9	1958	55,433	609	48,680	180,382
10	1959	44,880	657	37,436	163,917

1 Lumber, timber, shingles and lath, and box, crate and cooperage materials.

Sources: Summary of Monthly Railway Traffic Reports,

Years ended December 31, 1946 to 1955

(Ottawa, Dominion Bureau of Statistics, 1947-56);

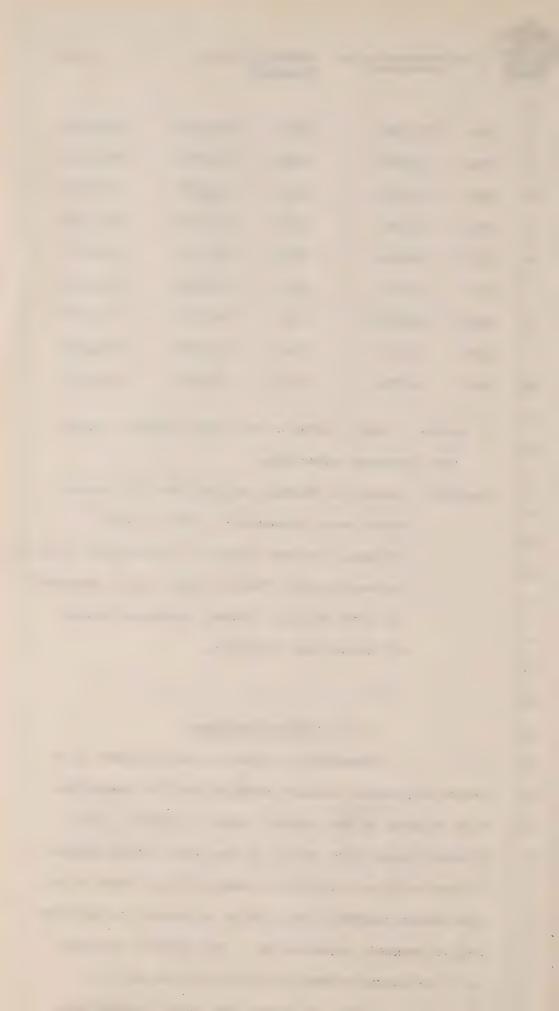
Railway Freight Traffic, Years ended December

31, 1956 to 1959 (Ottawa, Dominion Bureau

of Statistics, 1957-60).

## (ii) Fishing and Furs

relatively minor industry particularly in comparison with fishing in the coastal areas of Canada. Such fishing takes place mainly in the semi-barren regions of the north and provides a means of livelihood in an area which otherwise has little or nothing to offer by way of economic opportunity. The fishing industry is a low income industry in the province and is extremely sensitive to market and cost fluctuations.



The total commercial catch of fish in

Saskatchewan in 1958 amounted to 12.6 million pounds

with a market value of \$2.3 million. These figures

are somewhat higher than average landings of 10

million pounds with a market value of about \$1.7

Whitefish normally account for well over one-half of

million over the ten-year period 1949 to 1958.

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TORONTO, ONTARIO

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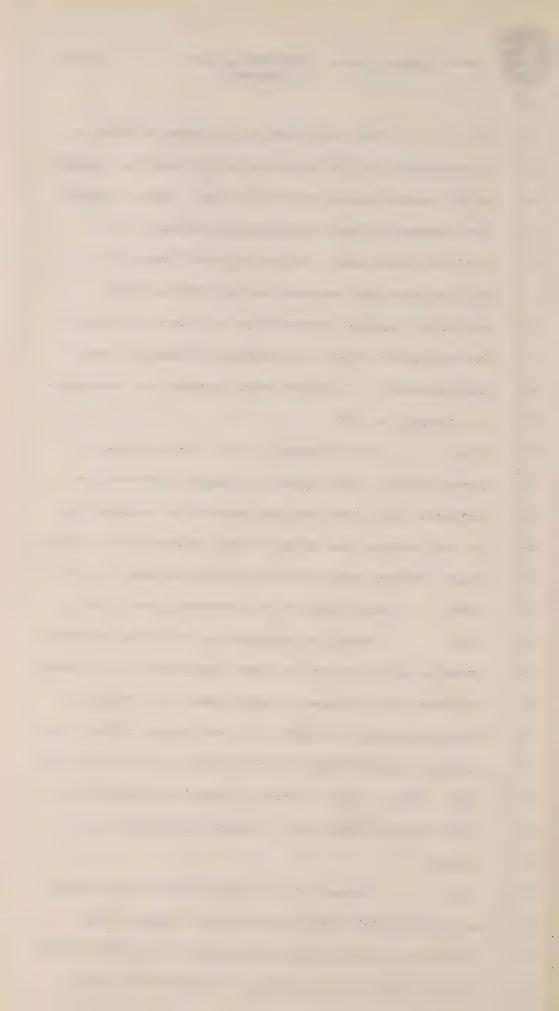
the volume and value of landings followed by trout and pickerel. 1,600 men were reported to be engaged in fishing in 1958. 132. Saskatchewan is at a disadvantage in marketing fish since great distances separate its northern lakes from the main centres of consumption in the metropolitan areas of the eastern United States, which include particularly Detroit, Chicago and New A large part of the movement goes by rail. York. Total fur production, including wildlife 133. trapping activity and fur rand operations, is of about the same total economic significance as fishing in the Saskatchewan economy. In the season 1958-59 the province produced approximately \$2.6 million worth of furs. Mink of various types, beaver and muskrat were the principal varieties, followed by squirrel and ermine. Values of fur exports are not available 134.

on a provincial basis but the total value of fur

1957-58 and 1958-59 seasons, of which furs to the

value of nearly \$25 million went for export in each

production for all Canada averaged \$26 million for the



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season, again involving a relatively heavy burden of transportation charges to distant markets.

## (iii) Mining and Petroleum

135. Baskatchewan made its most spectacular economic advance of the 1950s in the fields of mining and petroleum development. Coal production was well maintained. Copper and zinc among the base metals, gold and silver among the precious metals. continued to make their contributions but the most significant development among the metals was the discovery of uranium in the Beaverlodge area north of Lake Athabaska. Discoveries and development of oil and natural gas resources over the southern part of the province paralleled those of uranium in the north. A series of disappointments with discoveries of the heavy crude oil which characterizes the Lloydminster and Coleville areas was followed by a succession of discoveries of medium oil in the southwest and of light oil in the southeast in the northward extension of North Dakota's Williston basin. Among the nonmetallic minerals, development of sodium sulphate and of salt deposits was followed by the first commercial shipments of potash from the province in At the close of the decade oil and uranium 1959. were by far the largest contributors to Saskatchewan's mineral production, with values of more than \$100 million and \$54 million respectively in 1959. The value of the province's total mineral production in

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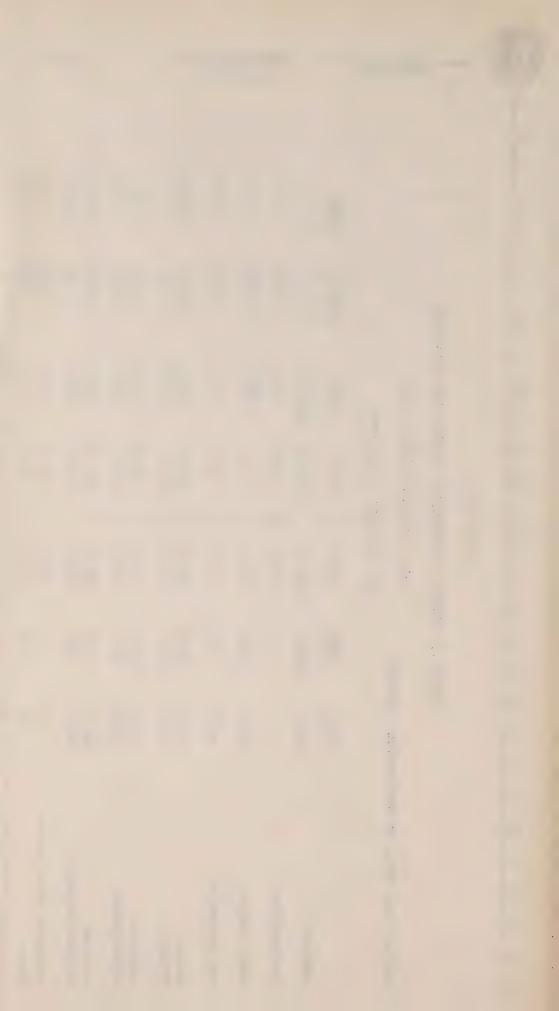
 that of 1954 and six times that of 1950. By 1958 Saskatchewan had supplanted British Columbia in fourth place among the ten provinces of the dominion in total value of mineral production, ranking only after Ontario, Quebec and Alberta. 136. Table XXVI shows the value of mineral

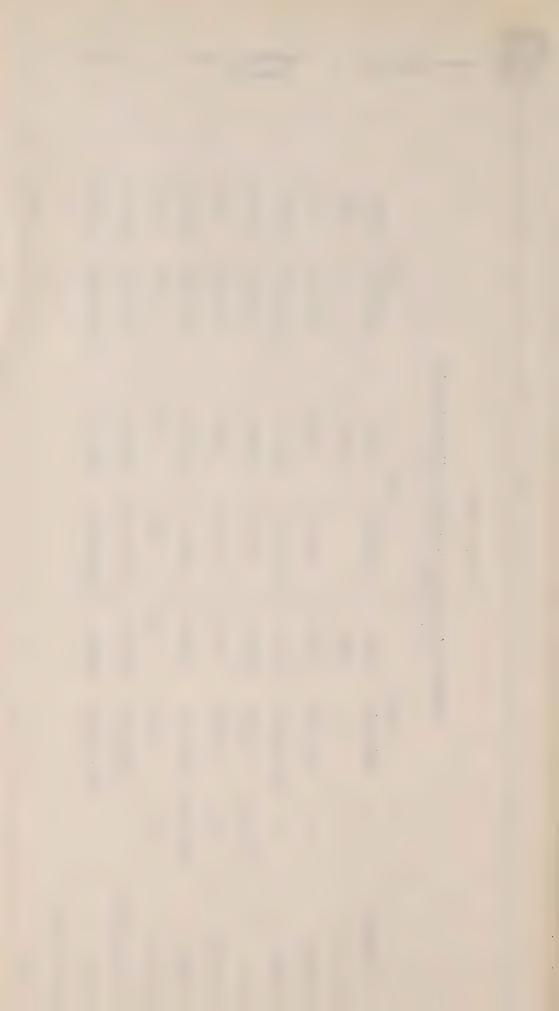
that year was \$213.7 million which was three times

roduction in Canada and each of the provinces for selected years 1935 to 1959. Table XXVII gives the quantity and value of all minerals produced in Saskatchewan, classified under metallic, non-metallic, fuels and structural materials for the past three calendar years.

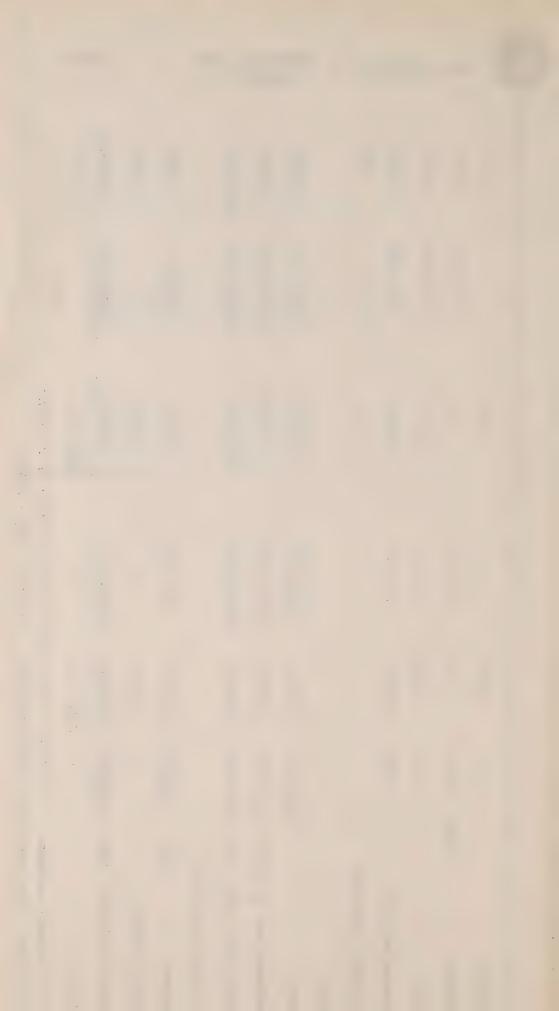


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12		VALIF OF MINERAL PRODUCTION CANADA AND PROVINCES		1955	dollars	91	0	84.3	·	m.	സ്ത	0.1.	o m	7.5	
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14	TABLE XXV	T Lingson	H 2	45 a	In millibns	forme who c	0	ang tree -	erapparene n , & n	4	network of the first	State our	<del>(</del>	ne up g stand	1
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21				E C C C		1935	312.8	8	23.2	N	158.9	3.8	22.3	۳	*
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28				Source: Dom. Bur. of Statistics, Ottawa.			CANADA**	Newfoundland	Sec	New Brunswick	rec	Manitoba Saskatchewan	Alberta British Columbia	Northwest Territories Tukon	Preliminary estimate
29				Sour			CANA	Newi	Nova	New	Quebec	Manj	Alberta	North	*
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2 3 4	840.0	126.2	1,195.2	2,775.8	10.9		3,812.9	3,060,0	101,000.0		4,100.0	1,372.1	3,694,3	213,743.5	
5 6 7 8		168,241	148,000	171,000	, probace s	· 	1,988,147	34,000,000	48,500,000	-ka=	161,262	\$ share when a	6,964,655	in the same of the	
9 10 11 12 13	.165.4	134.9	1,157.7	2,862.9	*	4:	4,379.5	1,882.0	6,704.9	714	4,506.8	1,158.8	2,826.2	200,941.0	e of rounding
14 15 16 17	ı	187,360	46,511	173,217	\$		2,253,176	18,819,795	44,626,148		194,734	ŝ	5,380,151	ı	** Totals may not add exactly because of rounding fluxing purposes Source: DBS - Othewa.
18 19 20	191.4	84.0	1,069.2	2,568.7	8		4,398.0	1,368,6	79,325.1		2,861.6	1,015,4		- 173,461.0	s may not ad
21 27 23 24	\$. }**	tons 168,051	43,684	157,800			2,248,812	M. cu.ft.13,994,347	bb1.36,861,089		150,664	1.	tons 6,565,563 3,116.3	8	** Total for fluxing
25 26 27		t <sub>O</sub>	Ε'	Sodium sulphate	Sulphur, elemental		55 1		Petroleum, crude bbl	Structural materials:	tons	Clay products	Sand and gravel tons		* Preliminary estimate ** Totals may no low grade silica sand for fluxing purposes
28 29 30	Pyrite	Quartz	Salt	Sodium	Sulphur	Fuels:	Coal	Natural gas	Petrole	Structura	Cement	Clay pa	Sand a	Total **	+ Prelin



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In the production of metals other than 137. uranium the main area of development, since the early 1930s, has been in the Flin Flon region on the Manitoba-Saskatchewan border. Recently the mining areas have been extended into the Coronation Lake and Birch Lake The first of these has a rail connection with the main plant, the second trucks its ore to railhead. The minerals of the Flin Flon area, viz., copper, zinc, gold, silver, cadmium, selenium and tellurium, are closely associated with each other so that rather elaborate processes of separation and concentration are required. After some processing the copper, still containing gold, silver, selenium and tellurium, is formed into blocks weighing approximately 460 pounds each, and is shipped to Eastern Canada for further separation and individual refining. Production of copper in Saskatchewan over the last decade has varied between a low of 30,000 tons in 1950 and a high of 37,500 tons in 1958. Copper and zinc, production achieved a combined value of approximately \$41 million in 1956 as against an average of about \$31 million annually from an increased production of both metals in the years 1958 and 1959. 138. Uranium, as already indicated, has provided

one of the most striking though unstable sources of

The value of uranium production rose from less than

\$11 million in 1954 to nearly \$60 million in 1958 but

fell off to \$54 million in 1959. With the imminent

mineral wealth in the province in recent years.

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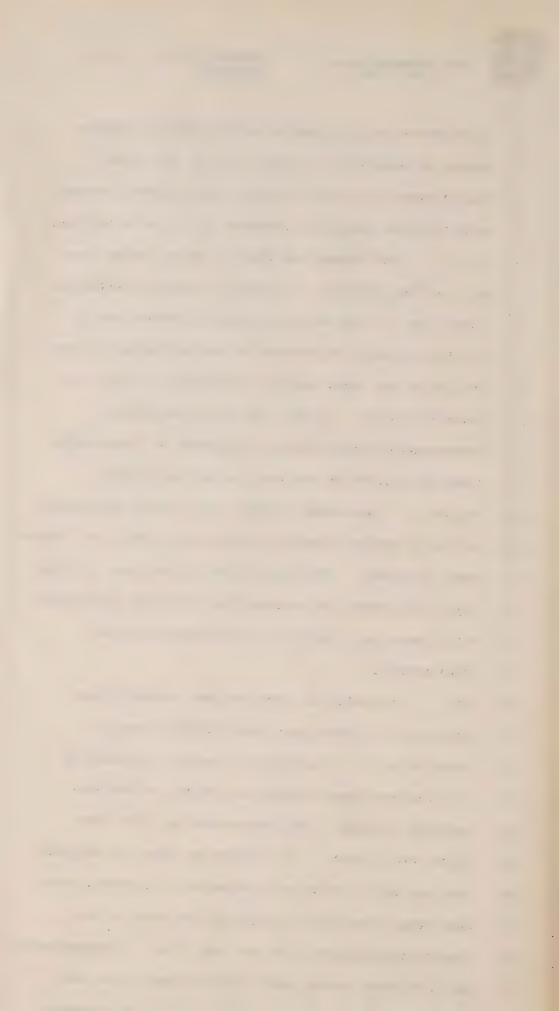
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termination of U.S. contracts and highly uncertain market prospects for uranium, one of the three Saskatchewan mills has recently been closed down and many problems face this industry if it is to survive. 139. The Precambrian Shield, which covers onehalf of the province, is known to contain substantial quantities of both base and precious metals and it is of the utmost importance to the provincial economy that this vast area should be developed in the foreseeable future. To this end the Saskatchewan Government has instituted a programme of inducements aimed at attracting exploration and development capital. Favourable freight rates would undoubtedly influence mining interests seeking new areas for investment purposes. The long distances involved in bringing in equipment for prospecting, drilling and milling will always be a factor in Saskatchewan mineral developments. 140. Deposits of iron ore have recently been discovered at Choiceland, some 60 miles east of

discovered at Choiceland, some 60 miles east of
Prince Albert. A geophysical survey, followed by a
drilling programme located an orebody in the Precambrian basement rocks approximately 2,000 feet
below the surface. An orebody of some 150 million
tons has been proved and estaimates of probably tonnage range from 500 to 1,250 million tons of ore
grading approximately 30 per cent iron. Transportation
as it affects mining and plant equipment, the raw
material and finished products, will be an extremely



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significant aspect of the developmental problems surrounding this find.

141. Sodium sulphate, for use primarily in the manufacture of kraft paper, stands high among the nonmetallic minerals produced in Saskatchewan. The five Saskatchewan plants at Chaplin, Ormiston, Palo, Bishopric and Gladmar are the only ones in Canada. For the past five years, annual production has averaged about 175,000 tons valued at slightly less than \$3 million a year. Sodium sulphate is essentially a bulk product, for which there is no market within the province or indeed within easy shipping distance in any direction. Hence favourable freight rates are essential to enable the industry to compete in world markets.

142. Saskatchewan is the only commercial source of potash in Canada. This mineral occurs in a broad belt across the south central part of the province. Deposits have been estimated in the neighbourhood of  $6\frac{1}{2}$  billion tons occurring in bed thicknesses of five to ten feet at a depth of some 3,000 feet. Development is well advanced and when the present problem of control of water seepage has been solved it is anticipated that at least two mines will be in production, with the prospect of a large output requiring transportation. Long hauls to the United States and for export from the west coast are involved for much of the product.

Coal mining is one of Saskatchewan's oldest 143.

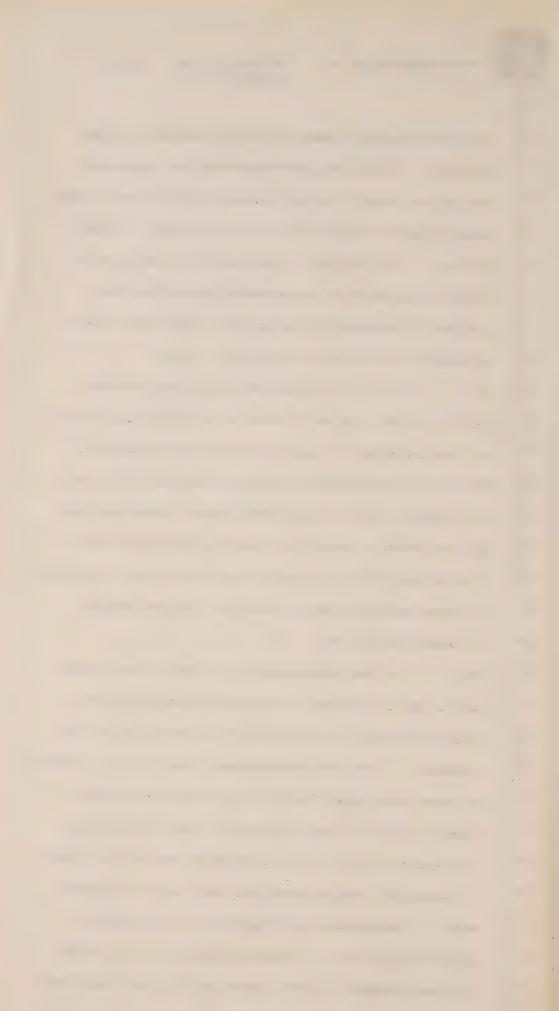
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industries having commenced before the turn of the century. Today the province's entire commercial production comes from the Estevan field in the southeastern part of the province in the Souris river valley. All the coal produced is of the lignite variety and shaft or underground mining has been completely replaced by large-scale strip mines with consequent reduction in production costs.

144. In B.T.U. values per pound Saskatchewan
lignite is much below Alberta or British Columbia coal
so that in order to supply an equivalent amount of
heat units Saskatchewan producers must mine and ship
two tons of coal to equal the highest grade and onequarter tons to equal the lowest grades taken from
Alberta and British Columbia coalfields thus involving
a correspondingly heavy burden of freight charges
on Saskatchewan coal.

out in their submission at Regina in February, the market for their coal extends from Moose Jaw to the lakehead. Yet the Saskatchewan lignite coal industry is faced today with fierce competition from other types of fuel. The arguments of the coal industry are familiar both to this Commission and to the Board of Transport Commissioners and need not be repeated here. The average selling price at the mine is only \$2.03 per ton. A peak production of 2,341,641 tons was reached in 1956 (Table XXVIII) but there was a rather sharp drop in output in 1959. With low



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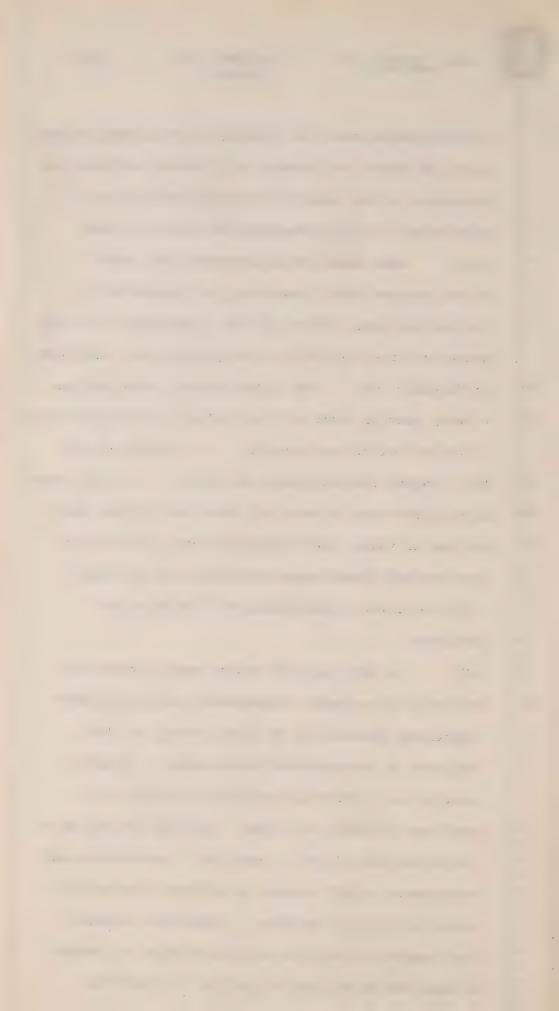
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transportation costs the industry could probably expand; with high rates the industry will almost inevitably be restricted to the supplying of local requirements particularly for the generation of electric power. 146. When Saskatchewan presented its brief to the Turgeon Royal Commission, oil production in the province was confined to the Lloydminster oilfield, where the first oil well in the province was completed in November 1944. The Lloydminster field produced a heavy gravity crude oil best suited for the production of heavy fuel oil and asphalt. As a result the oil had a rather limited commercial value. In 1951 three more discoveries of heavy oil were made farther south and one of these, the Coleville-Bakken-Sand pool, in west-central Saskatchewan has since been developed into one of the largest black oil fields on the continent.

147. In 1951 and 1952 medium gravity crude oil was found in southwest Saskatchewan and by ;954 more significant discoveries of light gravity oil had been made in southeastern Saskatchewan. Expenditures on exploration and drilling rose rapidly to more than \$133 million a year. By 1956 several major fields had been linked by pipeline. Exploration and development in 1957 reached an all-time high with an expenditure of \$171 million. Production increased from less than 3 million barrels of crude oil valued at less than \$4 million in 1953 to 48.5 million barrels valued at \$101,000,000 in 1959. In the



Britnell, dir 15179 (Carter)

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spring of 1960 there were 4,153 oil wells capable of production.

THE CHAIRMAN: More oil wells than ele-

vators?

THE WITNESS: That is right; that is true,

sir.

#### TABLE XXVIII

# PRODUCTION OF LIGNITE COAL IN SASKATCHEWAN, 1930-59

12	<u>Year</u>	Short Tons
13	1930	579,424
14	1935	921,785
15	1940	1,097,517
16	1945	1,532,995
17	1950	2,203,223
18	1951	2,223,318
19	1952	2,083,465
20	1953	2,021,304
21	1954	2,116,740
22	1955	2,293,816
23	1956	2,341,641
24	1957	2,248,812
25	1958	2,253,176
26		1,988,147
27	1959*	2,700,-1

\* Preliminary Estimate

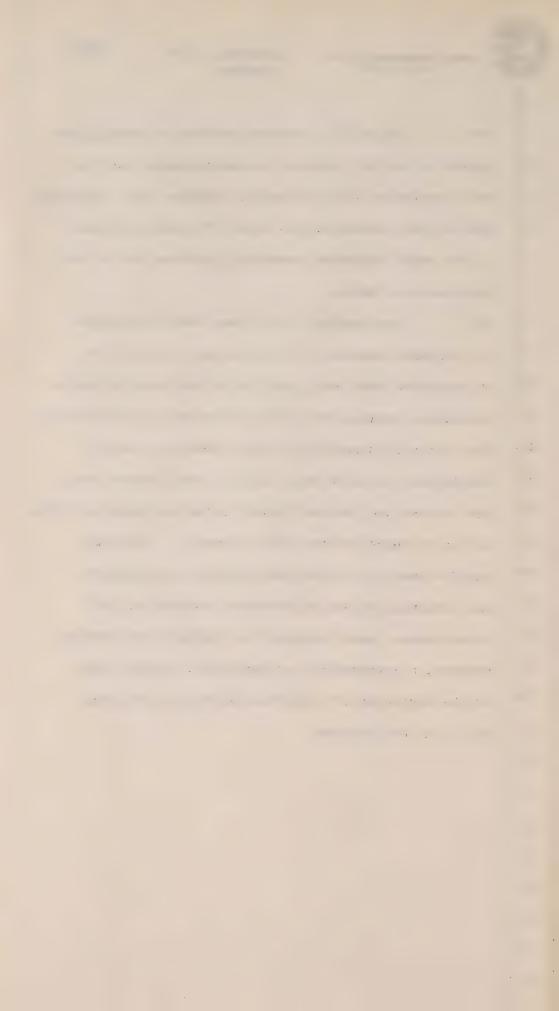
Dominion Bureau of Statistics, Source:

Ottawa.



148. Table XXIX presents statistics showing the growth of the oil industry in Saskatchewan over the short period of its development together with comparable data on the production and value of crude petroleum in the other important producing province and in the Dominion as a whole.

Exploration for oil has been accompanied by increased supplies of natural gas, utilization of which has been made possible by the construction of pipelines, linking the Brock and Coleville fields with the cities of Saskatoon, Prince Albert and North Battleford, and with many smaller urban centres and the Success and Cantuar fields in the southwest with the cities of Moose Jaw and Swift Current. With the rapid expansion of both the northern and southern gas transmission and distribution systems of the Saskatchewan Power Corporation, the province remains, however, a substantial net importer of natural gas. At the beginning of 1960 there were 196 producing wells in the province.



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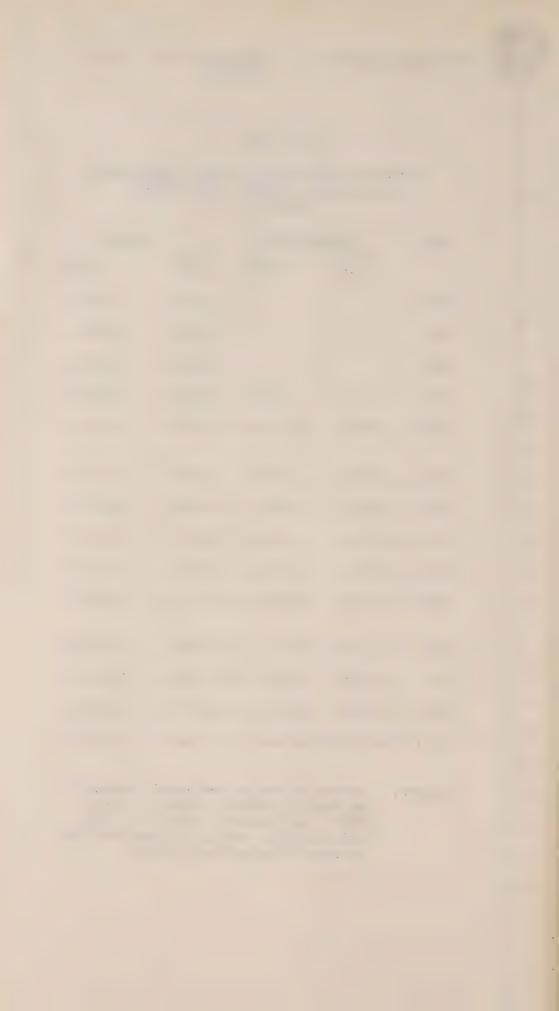
Britnell, dir 15181 (Carter)

## TABLE XXIX

PRODUCTION AND VALUE OF CRUDE PETROLEUM IN SASKATCHEWAN, ALBERTA AND CANADA, 1930-59

Year	Sas bb1	katchewan		Alberta			
	(000)	(000)	bbl (000)	\$ (000)			
1930			1,398.2	4,780.7			
1935			1,263.5	3,102.2			
1940			8,362.2	10,694.4			
1945	14.4	15.4	7,979.8	13,169.7			
1950	1,041.1	1,134.8	27,548.2	82,216.5			
1951	1,249.3	1,659.0	45,915.4	113,870.2			
1952	1,696.5	2,256.4	58,915.7	139,512.4			
1953	2,797.9	3,833.1	76,816.4	193,761.6			
1954	5,422.9	8,183.3	87,713.9	228,319.2			
1955	11,317.2	18,318.0	113,035.0	274,901.2			
1956	21,077.4	36,253.1	143,909.6	353,629.2			
1957	36,861.1	79,325.1	137,492.3	355,555.1			
1958	44,626.1	96,704.9	113,277.8	283,262.6			
1959	48,500.0	101,000.0	128,700.0	308,880.0			

Source: Second Report of the Royal Commission on Energy (Ottawa, Queen's Printer, 1959) Appendix E, Table B, p. 171 and, for 1958 and 1959, from Dominion Bureau of Statistics, Ottawa.



Britnell, dir 15182 (Carter)

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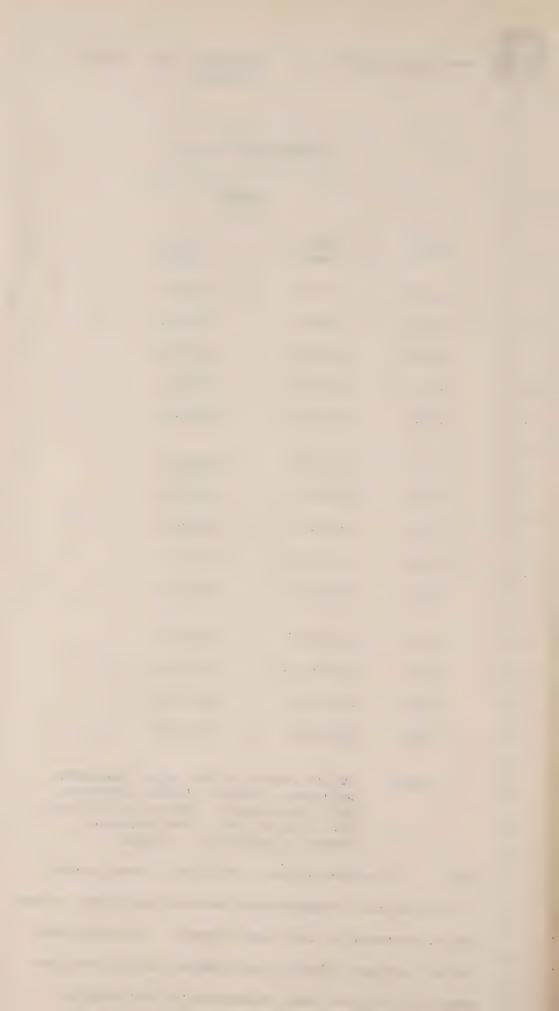
# TABLE XXIX (Cont'd)

### Canada

Year	bb1. (000)	<b>\$</b> (000)
1930	1.552.3	5,033.8
1935	1,446.6	3,492.2
1940	8,590.6	11,160.0
1945	8,482.8	13,632.3
1950	29,043.8	84,620.0
1951	47,615.6	116,655.3
1952	61,237.2	143,038.2
1953	80,898.9	200,582.2
1954	96,080.4	243,877.1
1955	129,440.2	305,640.1
1956	171,981.4	406,562.0
1957	181,847.9	453,593.6
1958	165,496.2	398,747.8
1959	184,593.0	426,950.2

Source: Second Report of the Royal Commission on Energy, (Ottawa, Queen's Printer, 1959) Appendix E, Table B, p. 171 and, for 1958 and 1959, from Dominion Bureau of Statistics, Ottawa.

of oil and gas transportation wherever sufficient volume can be achieved to make them economic. Nevertheless, the oil and gas industry has brought with it requirements for rail and road transportation not only of a part of the crude oil out of producing fields, but



of materials needed for production, including cement, drilling machinery and tools, oil casing and steel pipe.

Saskatchewan oilfield, a plant has been constructed for converting the wet gas from the oilfield into propane, butane and isobutane, natural gasoline, sulphur and dry natural gas. These products travel by tank car, either by rail or road, for fuel purposes to areas not served by gas or electricity. In southwest Saskatchewan permits have been taken out to carry out exploratory work in connection with helium.

152. Approximately 90 per cent of Saskatchewan's oil production is exported from the province.

I might say there, Mr. Chairman, that in 1959 more than 95 per cent of Saskatchewan's whole production was exported from the province. In 1959, sales of Saskatchewan crude to Saskatchewan refineries were only 2.1 million barrels out of total sales of Saskatchewan crude amounting to 47.4 million barrels.

The explanation, of course, is not far to seek. -- Just in the next province. In 1959,

Alberta supplied 16.1 million barrels to Saskatchewan out of a total Saskatchewan consumption of 18.2 million barrels. This is due to the fact that Saskatchewan's production is, of course, located downstream from its original capacity. It is more

economical to ship Saskatchewan's crude to the eastern and midwest United States markets and to use cheaper and less valuable Alberta crude for refining in Saskatchewan.

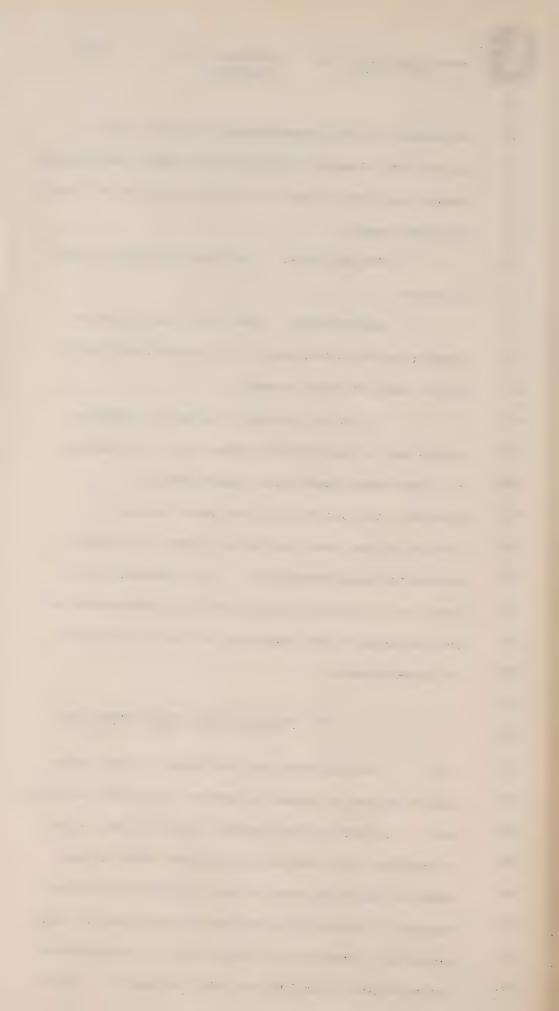
THE CHAIRMAN: And there is also a type of crude?

THE WITNESS: Yes, there is a type of crude also which has built up a specialized market in the American middle west.

In its major export markets in Eastern
Canada and in the United States, the oil industry
of Saskatchewan meets the competition of
Venezuela and the Middle East where costs of
production are lower and which areas have ready
access to ocean transport. Low transportation
costs at all levels are, therefore, fundamental to
the maintenance and expansion of the oil industry
in Saskatchewan.

## (iv) Manufacturing and Processing

ciable degree in Canada's wartime industrial development. In the postwar period, however, the value of manufacturing and processing has shown a substantial increase, even after allowance for price changes. Table XXX shows the gross values of manufacturing production in Canada and in Saskatchewan for each year from 1945 to 1958 inclusive. Table XXXI shows in greater detail and on a comparative



Britnell, dir 15185 (Carter)

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TABLE XXX

basis the geographical distribution by provinces of

the manufacturing industries of Canada for the

years 1949 and 1958, the latter being the latest

year for which such figures are available from

the Dominion Bureau of Statistics.

GROSS VALUE OF MANUFACTURING PRODUCTION, CANADA AND SASKATCHEWAN

1945 to 1958

11	Year	Canada	Saskatchewan
12	1945	\$ 8,250,368,866	\$ 167,688,133
13	1946	8,035,692,471	168,356,619
14	1947	10,081,026,580	196,452,199
15	1948	11,875,169,685	221,363,603
16	1949	12,479,593,300	215,742,708
17	1950	13,817,526,381	218,079,955
18	1951	16,392,187,132	250,813,026
19	1952	16,982,687,035	258,931,776
20	1953	17,785,416,854	266,613,086
21	1954	17,554,527,504	280,733,784
22	1955	19,513,933,811	295,162,037
23	1956	21,636,748,986	298,203,489
24	1957	22,183,594,311	306,115,112
25	1958	22,163,186,308	331,298,441

Source: Dominion Bureau of Statistics, Ottawa. In spite of the rapid economic development 154. of all the prairie provinces since the end of the war, admittedly in manufacguring neither Saskatchewan nor the prairie region as a whole has kept pace



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with the expansion of manufacturing in the more industrialized provinces of Ontario, Quebec and British Nevertheless it may be pointed out that. over the latest ten-year period, i.e. 1949-1958 for which it is possible to obtain precise and comparable data, the Dominion Bureau of Statistics showed that Saskatchewan had increased the number of its employees in manufacturing by 13.3 per cent as against 1.0 per cent for Manitoba, 43.3 per cent for Alberta, and a Dominion average of 10.2 per cent. During the same period earnings of employees increased by 94.1 per cent in Saskatchewan, 65.9 per cent in Manitoba, 154.3 per cent in Alberta, and 85.5 per cent for the country as a whole. In Saskatchewan a fairly sharp decline in employment, earnings and production in the wood products industry was much more than compensated for by increases in the petroleum and coal group, which includes oil refineries, and in the non-metallic mineral group which consists of a number of industries manufacturing building materials. (See General Review of the Manufacturing Industries of Canada 1957 (Ottawa, Dominion Bureau of Statistics, 1960) pages 143-4.

IXXX

AI E M	200		TORONT								
1 2 3		Canada*	Yukon & North- west Terri- tories		Manitoba	Quebec	Nova Scotia	Prince Edward Island	Newfoundland	Province	PRINCIPAL STATISTICS
5		35,792	18	1,685 1,493	1,520	11,579	1,480	251	793	Estab- 11sh- ments	
7 8 9		1,171,207	148	26,425	956,14	390,275	29,311	1,749	6,934	1949 Total Employees	OF THE MANUFACTURING IND PROVINCES, 1949 and 1958
10 11 12		2,591,891 6,843,231	359	196,404			54,687	2,134	15,486	Total Salaries Wages	MANUFACTURING INDUSTRIES 255, 1949 and 1958
13 14 15		6,843,231	444	251,364 531,112	299,101	2,027,794	135,842	13,537	31,228	Cost of Flant of Materials Used	OF
16 17 18		5,330,566	605	114,681	167,335	1,651,630	102,294	4,338	32,919	Value added by Manufacture	CANADA BY
19 20 21		12,479,593	1,377	371,995 959,000	474,682	3,788,497	247,592	18,123	67, 264	Gross Selling Value of Products \$000	
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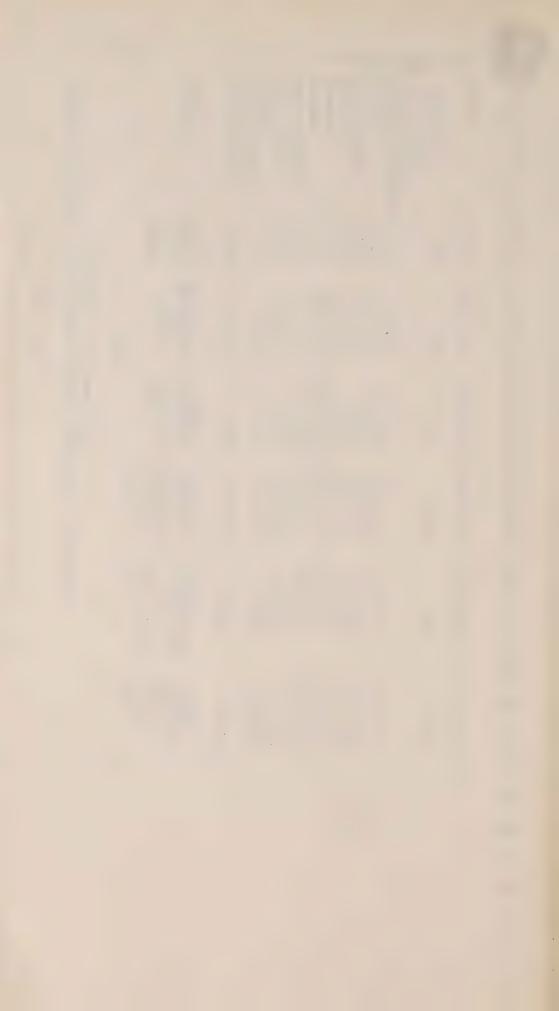




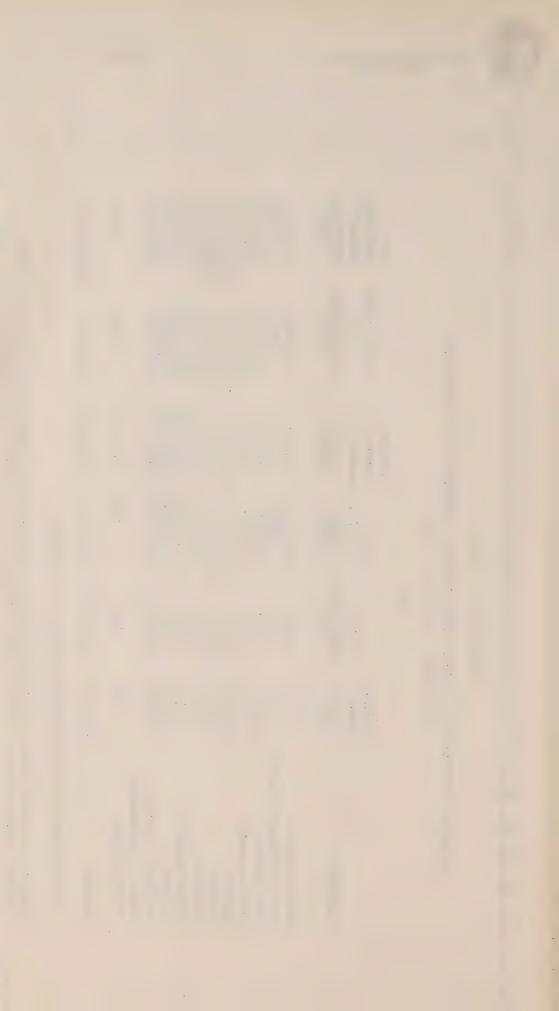
TABLE XXXI (Cont'd

PRINCIPAL STATISTICS OF THE MANUFACTURING INDUSTRIES OF CANADA BY PROVINCES, 1949 and 1958

	Gross	ed Selling	Value of	re Products	\$000		116,979	, www. wo	411 000	210 000	216,206	0,104,190	10,864,028	694.05	200 - 100	0010	200,000	1,190,900	01	5,7(7		22,103,186
1958	Cost of	Value added	by	Manufacture	000\$		58,045	7.266	176,998	120,000	00000000	1001001	4,914,074	284.368	702 201	1000000	786 600	000,000	C U	200		3, (34, 500
		Plant of	Materials	Used	\$000	,	52,156	19.203	217,264	170,561	2 507 78E	7010100	2, 104, 319	397,453	198.834	405 310	065 040	0+0000	0740	5	777 108 11	
		Total	Salaries	& Wages	\$000		29,234	3,390	86,006	61,077	1,476,606		C0 01407	142,859	00				678		4.808.406	
			Total	Employees	No.		7,004	1,632	29,010	20,744					12,283	37.860	100,222		145		1.290.602	
		Estab-	lish-	ments	No	0) 1	29/	179	1,297	939	11,828	13.276	2001	1,034	970	1,762	4,072		16		36,741	
				Province			Newl Duria Land	Prince Edward Island	Nova Scotla	New Brunswick	Quebec	Ontarlo	Manitoha	Plain Conc	Saskatchewan	Alberta	British Columbia	Yukon & Northwest	Territories		Canada*	

\*Totals may not add exactly because of rounding

Source: Dominion Bureau of Statistics, The Manufacturing Industries of Canada, 1957 Section G. Geographical Distribution (Ottawa, 1959) p.9 and by correspondence, July, 1960



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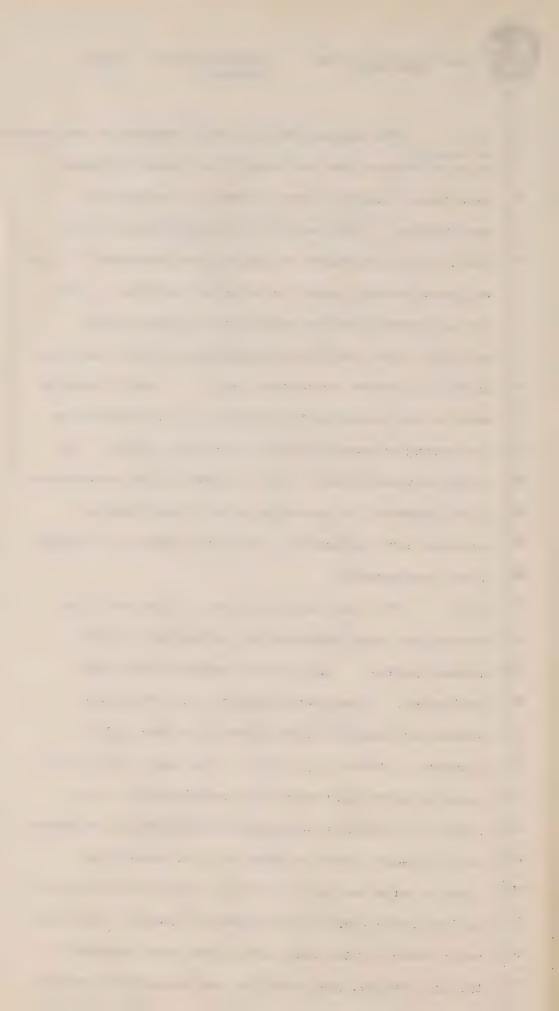
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155. The largest manufacturing industry of the Province in terms of value of output, the refining of petroleum products, is closely related to the demands of a mechanized agriculture. The next five leading industries (see Table XXXII) are based on agricultural resources -- i.e. on grain growing, cattle raising and dairying -- and are concerned with the processing of agricultural products (flour milling, slaughtering and meat packing, butter and cheese production, etc.). Until recently most of the remaining industries have represented the processing or manufacturing of natural products on a relatively small scale (such as sawmills and woodworking establishments) or servicing enterprises (such as bakeries and printing and publishing plants) to supply local requirements. Yet the industrial base of the provincial 156.

economy has been broadened and strengthened in the postwar period. Oil refining capacity has almost quadrupled. (See Second Report of the Royal Commission on Energy (Ottawa, Queen's Printer, 1959)

Appendix E, Table L, p. 180.) The last two or three years in particular have seen announcements of the birth of a number of promising new industries represented by a cement plant, a steel mill, a steel pipe plant, a wire and cable factory, a clay products plant, a fibre board plant and a variety of smaller establishments based for the most part on the requirements of the oil, natural gas, metallic and non-metallic mining industries and on the construction and building trades.



The well known timelag involved in the collection, processing and tabulation of data concerning the manufacturing industries means that the effects of this development have not yet been fully reflected in the official statistics of employment, earnings and production.



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Gross Selling Value of Products	82,409,038* 47,338,510 41,025,500 34,452,627 10,724,498 9,237,985 5,434,231 4,944,708 4,710,323 4,262,464 3,562,464	3,144,421 2,063,441 264,125,407 331,298,441
Value added by Manufacture	29,241,309 10,430,871 10,176,248 8,448,317 5,767,691 8,047,313 6,960,156 3,331,673 2,189,420 1,844,849 2,042,602	1,389,437 92,211,837 123,394,168
Cost at plant of Materials Used	50,255,873 36,602,149 30,730,463 25,080,299 4,663,789 2,598,993 2,150,267 1,889,573 2,671,602 2,829,720	198
Salaries & Wages	5,872,466 5,350,647 2,912,376 4,285,732 3,592,944 1,621,392 3,878,994 1,148,672 862,365 758,446	267,562 894,494 33,062,444 43,228,392
ployees No.	1,183 1,361 1,361 1,105 1,105 1,173 1,173 252 252 252	87 256 9,457 12,283
Estab- lish-pl ments	111 103 10 10 10 10 10 10 10 10 10 10 10 10 10	12 39 12 739 970
Industries	Petrol.products Slaughtering & meatpacking Flour mills Butter and Cheese Bread & other bakery products Breweries Printing & publishing Carbonated leverages Sash, door &planing mills Sheet metal products Concrete products Sawmills	Feeds, stock & poultry Printing * tookbinding Totals, leading industries listed above ** Totals all industries

\*Reported on a production basis.

\*\* Castings, iron; cement, bydraulic and non-ferrous metal smelting and refining are also leading industries. However, statistics for these industries are confidential Correspondence, Dominion Bureau of Statistics, July 1960, Source:



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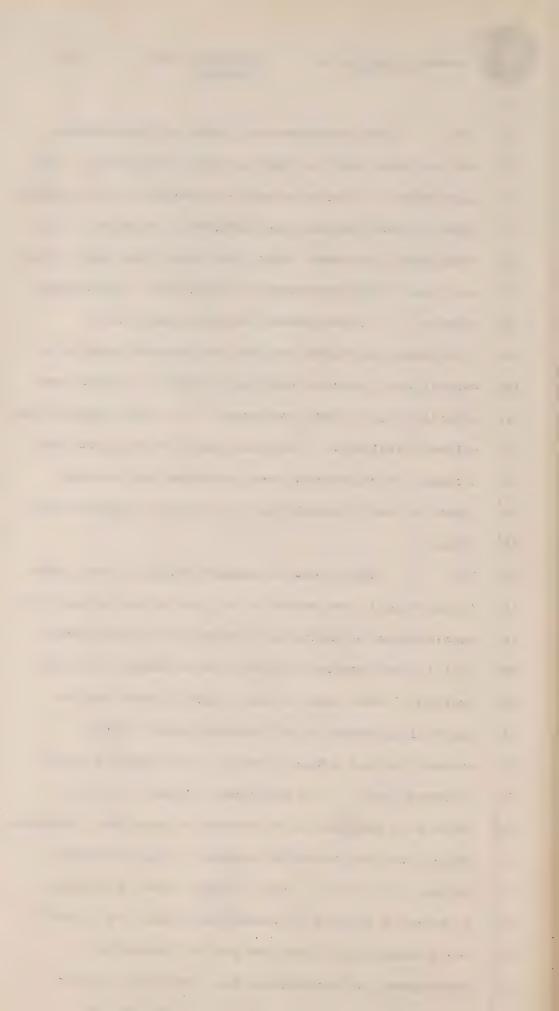
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157. The Government and people of Saskatchewan are confident that all this is only a beginning. The experience of Alberta is most heartening in this respect, since in that province manufacturing, supported by oil development and cheap fuels, has shown, even apart from the rise of the petrochemical industries, a phenomenal advance. In Saskatchewan the development of a flourishing petroleum industry and assured supplies of natural gas, indicate that new sources of certain raw materials and of heat and power -- all much cheaper than hitherto available -- may well serve to stimulate both a number of significant new industries and a modest growth of small industries in a number of prairie wheat towns. This is not to suggest, however, that there 158.

is anything in the record or in present and prospective developments to denote that industry in Saskatchewan will in the immediate future seek to embark on the production of most types of heavy agricultural and industrial machinery or of tractors, motor trucks, automobiles and a wide variety of the larger durable consumer goods. In the normal course of events, these will continue to be brought in over long distances, mainly from the producing centres of Eastern Canada, by rail or by road. High freight rates, providing in effect a species of protection similar to a tariff, could conceivably force the pace of industrial development in Saskatchewan and the other prairie provinces. Such a decentralization of industry,



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accompanied by production on a relatively small scale in Western Canada, would reduce the transportation services required and the amounts spent on freight rates. Yet the savings on freight rates would, of course, tend to be offset by higher costs of production. The increased freight rates would, as Professor Locklin has pointed out, (See D. Philip Locklin, Economics of Transportation, Fourth Edition (Homewood, 1954) pages 14-15) simply give local industries an advantage enabling them to undersell more distant producers able to secure the advantages of large scale production and who, because of favourable location and a much larger market might be expected to have lower costs of production. Industrial development of this sort would be artificial, costly and wasteful of economic resources. The province, the national economy, and the railways alike would all be worse off. Saskatchewan wants more manufacturing industries but it wants those industries soundly based and producing at costs which its primary producers and its consumers can afford to pay.

## (v) Electric Power

159. In the past, one obvious drawback to the development of manufacturing in Saskatchewan has been the absence of cheap supplies of hydro-electric power. Significant water power sites are, for the most part, remote from the present industrial centres, being

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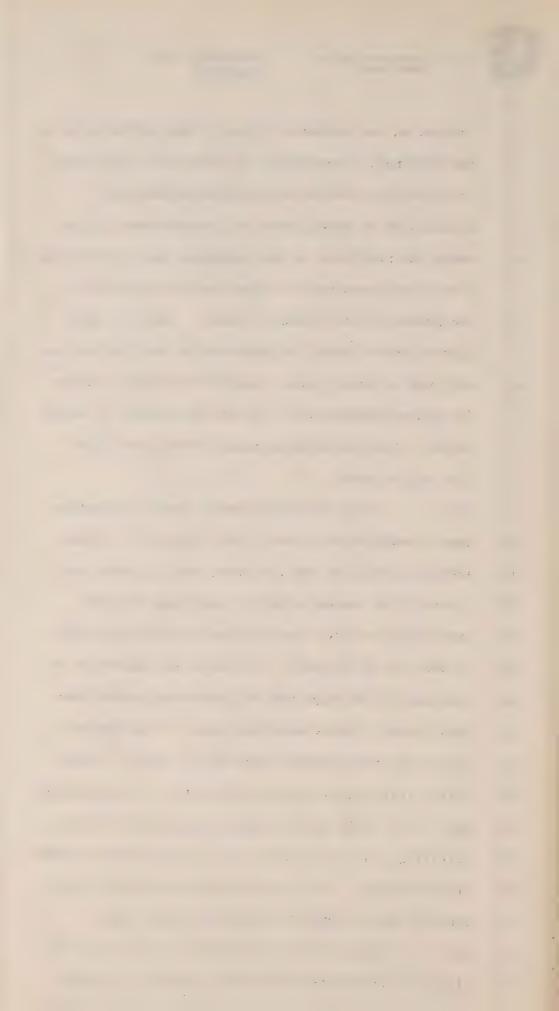
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located on the northern fringe of the settled area of the province. Generation of electricity from coal is normally a more expensive process than the utilization of water power and Saskatchewan, alone among the provinces of the Dominion, was forced until a very few years ago to depend on coal plants for the production of electric power. Even in 1960 hydro-electric power is generated in the province at only two or three plants located on northern rivers for mining operations -- by far the largest of which is the Island Falls development serving the Flin Flon mining area.

160. Today the Saskatchewan Power Corporation, whose transmission system covers almost the entire settled portion of the province, still depends exclusively on thermal-electric stations for power development as does the municipally-owned operation of the City of Regina. But large and important reductions in the high cost of generating power from such thermal plants have been made. The number of plants has been reduced from the 135 units, mostly small, inefficient and uncoordinated, of a generation ago, to 14 or 15 units, mostly large, efficient in operation, and integrated into a province-wide system or grid today. Over the same period overall plant capacity has increased by more than six times. Large-scale utilization of cheap Estevan 161.

lignite coal at two of the four largest and newest

thermal plants in the province, the Estevan and Boundary



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Dam stations, has served further to reduce costs. Saskatchewan Power Corporation has estimated that the costs of generating power at Estevan are only about 60 per cent of the average costs for its whole system. Nevertheless, transmission losses render it uneconomic even on this basis to use the lignite-generated power outside a 250-mile range. Therefore, since the Estevan coal fields are located in the extreme southeastern corner of the province, it is not economically possible to supply the whole of the power needs of Saskatchewan from this site. For this reason the other two largest and 162. newest thermal plants in the province are located in the Saskatoon area and equipped to generate electric power using coal, oil or natural gas as fuel alternatively, depending on which may be the cheapest at a given time. The trend away from coal as a major fuel for power production and toward increased consumption of natural gas has become most marked. In 1959 the Saskatchewan Power Corporation reported that, in terms of heat content of fuels used at all of its generating stations, natural gas accounted for 53.7 per cent of the total as against 35.6 per cent for coal and 10.7 per cent for oil. (Saskatchewan Power Corporation, Annual Report, 1959 (Regina, Queen's Printer, 1960) pages 16-17). The transmission of electric power for use 163. in the smaller urban centres and especially in rural

areas presents formidable difficulties in Saskatchewan

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on account of the great distances between producing

plants and the small number of available customers

per pole-mile of line. Yet in 1959, as a result of

a vigorous programme of rural electrification carried

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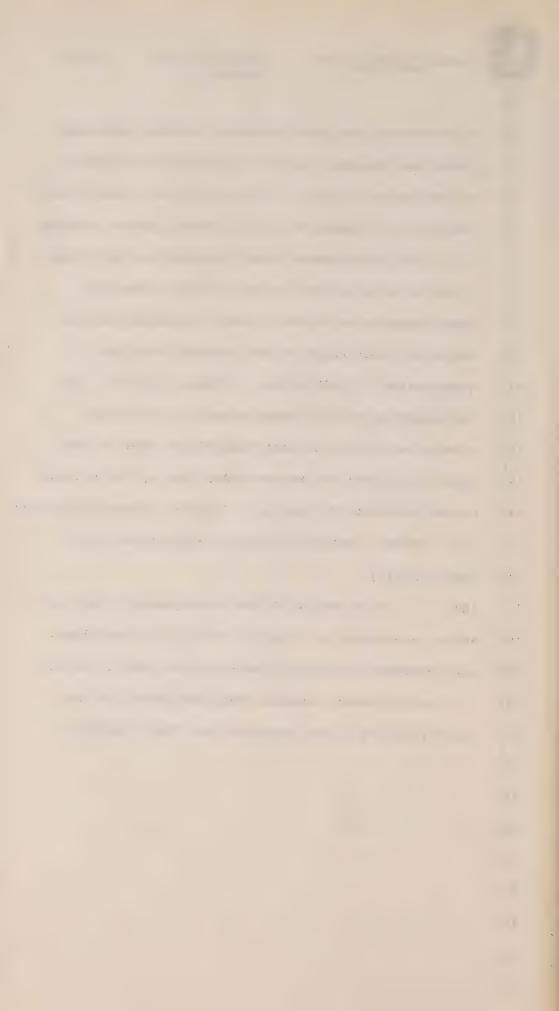
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out by the Saskatchewan Power Corporation, more than 51,000 farms or almost one-half of all farms in Saskatchewan were served by the Corporation and the length of rural lines in the province totalled approximately 53,200 miles. (Ibid., page 9.) By the beginning of 1959 Saskatchewan's total pole mileage was 68,852 or more than 22 per cent of the total for Canada and was exceeded only by the mileage in the Province of Ontario. (Electric Power Statistics, 1958 (Ottawa, Dominion Bureau of Statistics, 1960) pages 32-33.) As a result of the developments described 164. above, production of electric energy in Saskatchewan

has increased by eight times since the end of the war

-- a much greater increase than that shown for any

other province in the Dominion (see Table XXXIII).





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29			Province or Territory	Newfoundland	P. E. I.	Nova Scotla	Quebec	Ontario	Manitoba	Saskatchewan	Alberta	British (2	Yukon & North-	Wes	tor		Totals	(1)
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Canada Year Book, 1948-49, p. 497, and Supplement to Electric Power Statistics, January, 1960, (Ottawa, Dominion Dureau of Statistics, 1949 and 1960. (2) British Columbia figures for 1945 include the Yukon. Source:



Meanwhile a start has been made on the

development of electric power from water resources.

In 1959 the Saskatchewan Power Corporation announced

plans and began to let contracts for construction of

miles northeast of the town of Nipawin. This plant is

scheduled to go into service in 1963. The Corporation

a 200,000 kilowatt hydro-electric power station at

Squaw Rapids on the main Saskatchewan River, 42

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expects that it will be possible to generate power from this development at a cost comparable with that of the Estevan plants to supply an area that cannot be reached economically from Estevan. There are two other hydro-electric power sites of similar potential above the Squaw Rapids site on the Saskatchewan River at Nipawin and Fort a la Corne. Further south, the South Saskatchewan River Dam, when completed, is expected to furnish a power potential for a future hydro-electric plant with an initial capacity equal to that of the Squaw Rapids station. The actual amount of hydro-electric power to be obtained from the South Saskatchewan River Dam project will, however, depend primarily on the irrigation aspects of the scheme and the power available for general use will be the residuum after the needs for irrigation purposes have been met. Summary and Conclusions

166. The Government of Saskatchewan believes that sound and effective measures for adapting transportation

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agencies to present-day needs and changing circumstances cannot possibly be devised except on the basis of an understanding of past developments and an appreciation of the nature of economic activity in the various parts of the nation. Part I of the Saskatchewan submission has been directed to a portrayal of the economy of the province. Its purpose was to review for the Commission the origins and essential features of economic life in the province, to stress the comparative importance and interrelationships of the constituent parts of the provincial economy, and to acquaint the Commission with significant economic changes which have taken place in Saskatchewan since the end of the war.

Recent years have witnessed the appearance 167. of much publicity to the effect that the prairie agricultural economy is at last becoming diversified. Observations of this nature appeared prominently after 1940 when national wartime policies practically forced the diversion of wheat acreage to the growing of coarse grains while, at the same time, skilfully contrived price adjustments and market opportunities rendered the expansion of livestock and dairy production in the prairie provinces almost inescapable. Armchair experts in and out of the prairie region hailed the transformation of the wheat economy into a hog and cattle economy as the embodiment of a long-delayed accession of economic sanity by the prairie farmer. It was taken for granted that the allegedly obvious

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superiority of diversification, once demonstrated in the local context, could not fail to impress itself even on the stubbornly one-crop minded wheat farmer. It was assumed that he would never again lapse into the error of specialized production. However, the reopening of world wheat markets in the later war years and the gradual readjustment of the most extreme wartime disparities in the prices for agricultural products found prairie farmers ready and determined to abandon substantial portions of their newly-acquired livestock enterprise and to return to the economic activity for which their natural environment is best suited, namely, the growing of wheat.

Nevertheless, referring particularly to Saskatchewan, it is true that the economy of the province is today not the monolithic bread-grain economy of the prewar years. The change has come about through shifts of emphasis not only within agriculture but also between agricultural and non-agricultural occupations.

Saskatchewan farmers are no more convinced than they were in earlier days that diversification has any particular merit for its own sake. They have, however, at least in the postwar years, demonstrated a keen awareness of changes which constantly take place in the relative cost-price relationships of the various products which can be produced on Saskatchewan farms.

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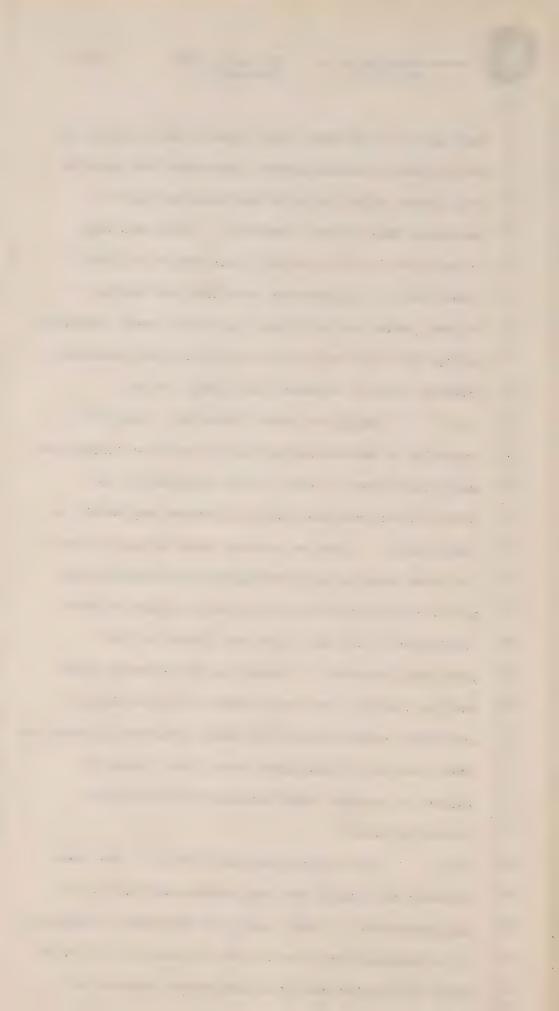
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They have, at the same time, shown a willingness to modify their farm-management practices from year to year within wide limits in the reasoned hope of improving their overall results. This has been illustrated in major terms by the record of cattle production in Saskatchewan over the past twelve or fifteen years and in a minor but by no means negligible way by the experience with poultry and with specialty products such as rapeseed and forage crops. 170. Non-agricultural pursuits with the exception of merchandising and the service occupations, have always been of such slight proportions in Saskatchewan that even small increases may easily be exaggerated. Earlier parts of this submission have indicated that certain non-agricultural activities have expanded sufficiently in recent years to have a cumulative if not an individual impact on the provincial economy. Production of minerals, prospecting for oil, and production and processing of petroleum products stand out most prominently among the newer sources of non-agricultural employment and income but certain manufacturing ventures show promise as well. The transportation effects of the newer 171. economic activities and employments may easily be misinterpreted. Their emergence has been accompanied by a pronounced decline in the proportion of farm to total population and by an additional measure of

diversification in the Saskatchewan economy.



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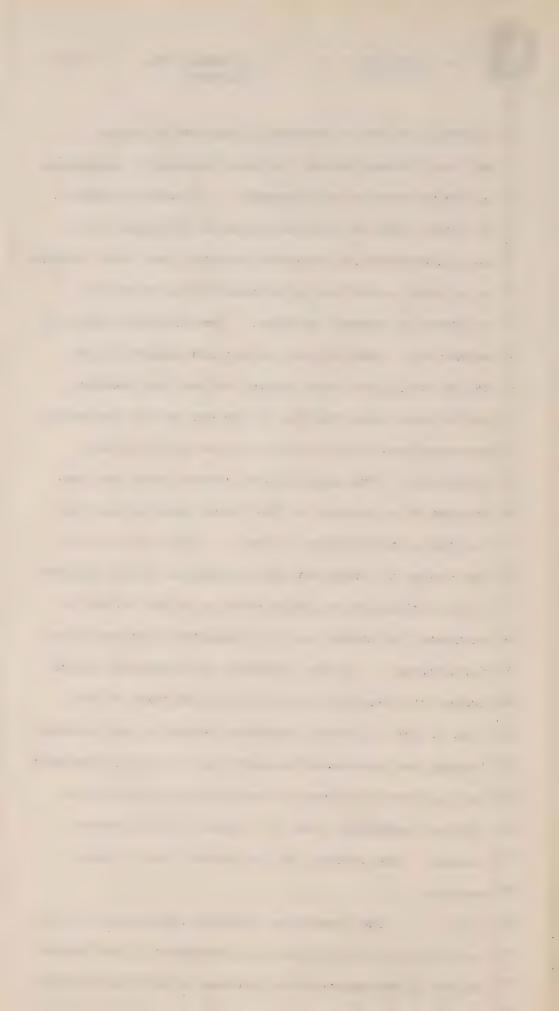
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panied by any appreciable increase in self-sufficiency in the Saskatchewan economy. It is scarcely necessary

agricultural occupations in Saskatchewan is not accom-

Diversification is ordinarily supposed to imply self-sufficiency which, in turn, suggests a minimizing of transportation requirements. It would, however, be quite wrong to picture a reduced farm population in Saskatchewan as producing less and less total output or a total production so diversified as to reduce reliance on external markets. The combined effect of mechanical, chemical, biological and managerial advances which have been brought to bear on Canadian agriculture since the end of the war can be adequately characterized as little short of an agricultural revolution. The agricultural labour force has been reduced to a fraction of its former size without reduction in agricultural output. The diminution in the number of farms and farm households is not matched by any diminution in agricultural purchases either of machines for production or of household equipment and furnishings. On the contrary, the reduction in the number of farms is countered by an increase in the size of the individual operation which is only possible through the purchase of a great deal of costly equipment. The machinery and many of the supplies essential to the new technology come, as formerly, from Central Canada. The products go, as before, into distant markets. The increasing relative importance of non-172.



to stress this fact in view of the description of the

non-agricultural sections of the economy in preceding

all find markets beyond the boundaries of the province

pages. Forestry products and minerals must practically

or within the province at a distance from their sources.

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complexities of present-day circumstances. Neverthe-

The discovery and development of local oil resources is perhaps the clearest instance of a step toward greater self-sufficiency in the economic life of the province. The present stage of industrialization in Saskatchewan gives little hint of a reduction in the dependence of Saskatchewan residents on the massproduction manufacturing centres in Central Canada for their requirements of productive machinery, heavy structural materials, automobiles and trucks, and household equipment and furnishings. The continuing central importance of transportation services and costs in the economic life of the province is scarcely

Repeated references in the foregoing

sections to the need for favourable or low freight rates

should not be construed as a series of individual com-

Rather such references emphasize the overwhelming importance of transportation in the economy of Saskatchewan -- and the importance of the preservation and development of that economy to the railways. A thorough understanding of the economy of today and of recent changes in it is essential to the formulation of transportation policies suitable to the

less, by itself such an understanding is wholly insufficient. Sound policy is evolutionary: it demands continuity. A national transportation policy need not, indeed cannot, be created de novo. It must build on the experience of past decades with adaptations appropriate to changing conditions. National transportation policy in Canada is as old as the national government. It has never stood alone but rather has always been closely integrated with national policies of trade, the encouragement of manufacturing and the fostering of national economic development.

175. Before offering any specific suggestions for the modification of transportation policy the Government of Saskatchewan considers that it is necessary to outline the nature and development of certain broad national policies which were initiated and have been pursued in the national interest, and to examine the effects of these policies on the economy of the province.

---Adjournment.











